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اتاق بازرگانی و صنایع و معادن ایران و انگلیس

Irano British Chamber of Commerce, Industries & Mines

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Foreign Investment in Iran

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Advantages of Foreign Investment in Iran

IBCCIM (Irano-British Chamber of Commerce, Industries & Mines) has been established solely for expanding economic activities in foreign trade, and assisting in foreign investment in Iran and Britain. The basic objectives are:

Close cooperation with Iranian, and British officials, organizations, and institutions.

Collecting needed statistics, and commercial information needed by the Iranian, and British members.

Assisting in realization of the views of the merchants, industrialists, and investors of both countries.

Study and identification of mutual investments.

Cooperation in establishing and managing exhibitions and assisting Iranian and British members interested in participation in exhibitions in both countries as well as other locations.

Preparation and promotion of the exchange of commercial delegations – investment in both countries and establishment of contact between commercial activists of Iran and Britain.

Establishing conference, speech, and symposium for promotion of commercial relations of the two countries.

Cooperating and assisting British-Iranian Chamber of Commerce and other British Commercial Chambers.

Publishing information bulletins on economic laws and regulations of the two countries, as well as publishing and distributing newsletter, quarterly bulletin and establishing professional information sites.

Attempting to resolve differences resulting from commercial associations between natural and legal Iranian and British parties through the Arbitration Center of the Iran Chamber.

Engaging in any activity needed to achieve the goals of establishing the chamber.

Benefits of Foreign Investment in Iran

A review of the geography of the region reveals the fact that Iran is located in the heart of the Middle East and Central Asia hosting nearly 400 million population.

If not 100 percent but nearly all the above mentioned population depend on importing their daily commodities. Considering geographical location, continental features, and infrastructure of Iran, such goods and services can be produced in Iran through direct foreign investment or partnership investment and distributed in the region.

The law of attraction and protection of Iran and the respective regulations (as specified below) provide numerous possibilities to foreign investors unmatched by other countries both in the region and even in the world.

These advantages are:

1- *Possibility of direct investment in areas permitted for the public up to 100 %.*
2- *Possibility of indirect investment on contract basis using "Buy Back ", "BOT ", & "BOOT "& etc.*
3- *Short and quick process for the study and approval.*
4- *Availability of trained and young forces.*
5- *Availability of needed installations and communication facilities.*
6- *Low cost of production for manpower, water, electricity, gas, and petroleum.*
7- *Equal treatment of local and foreign investors.*
8- *Public acceptance of foreign investors be it non-Iranian natural or legal entities or Iranian nationals living abroad.*
9- *Tax exemption for all the exported commodities'.*
10- *Tax exemption for some regions in Iran.*
11- *Guarantee and protection of the principal and the interest, and the investment. Transfer of the funds by the Central Bank of Iran.*
12- *Numerous possibilities for investment including various mines 10 % of which are believed to have been identified and extracted.*

Law of the attraction and protection of Foreign Investment in Iran

Ecasb.com 11/29/2008

The profits of foreign investment in Iran shall be partially or totally regarded as part of the original capital.

Article 1.The facilities mentioned within this law shall incorporate all the foreign individuals, companies and private institutions, having received the Iranian government's approval (under Article 2 below) to export their capital as cash, factory property, machinery, equipment, right invention, specialized services, etc., for the purposes of development and production, either in industrial, mineral, agricultural or transport activities.

Article 2. The incoming proposals shall be considered at the committee of the Bank Melli Iran, to be attended by the bank's president, deputy ministers of finance, industries and mines, foreign affairs, commerce, chief or deputy chief of the Plan and Budget Organisation, president or vice-president of the Tehran Commerce Chamber, and the chief of the Foreign Exchange Commission of the Bank Melli.

The decisions of the committee will be brought up at the cabinet by the minister of commerce for approval.

The cabinet will give top priority to proposals concerning investment in other provinces.

Article 3. The capitals imported under Article 1 into Iran and their profits shall be covered by the law. The foreign corporations and investments shall enjoy all the facilities, rights and exemptions offered to domestic manufacturing, private corporations and investment.

If a saw expropriates a capital owner of his ownership right, the government shall fairly compensate for the losses, provided that the applicant submits his request within three months to the committee under Article 2. Any difference over the compensation of the loss shall be settled at the authorized Iranian Courts. In such cases, the government may ignore the Article 5 to authorize transfer of capital to the overseas.

Note 1: The law of the ownership of real estate by foreign nationals, passed on 6 June 1931, shall hold good.

Note 2: The individuals, private companies and institutions mentioned in Article 1 may not transfer their rights or shares to their corresponding governments or other states.

Article 4: The capital owner may withdraw profits of his capital each year up to the ceiling asserted in the regulation.

Article 5: The capital owner may withdraw the original capital or its profits three months after issuing a public note to the committee under Article 2, in line with provisions passed in July 1944 by the International Monetary Fund. The capital owner must keep at least 10 per cent of the original capital for six months in Iran for the settlement of likely obligations.

Article 6: The law extends permit of operation to the institutions and nationals of the countries in which the Iranian nationals and institutions can work freely.

Article 7: The government should draw up and suggest the necessary regulations to the relevant commissions of the assemblies for approval.

The law, which includes seven articles and two notes, was passed by the national Consultative Assembly on Tuesday 28 November 1955.

Executive Regulation

of

The Law of the Attraction and Protection of Foreign Investments

Article1:

Any individual or legal party transferring his capital to Iran for development and production, either in industrial, mineral, agricultural or transport activities, or to assist the Iranian institutions working in the mentioned fields shall enjoy the privileges of the law of the attraction and protection of foreign investments, provided that:

A.A.: It focuses on the field in which the domestic private companies are allowed to operate.

B.B.: It does not prove a monopoly.

C.C.: The capital comes from a private investor not a foreign government.

Note: *In case a foreign government is implicated in the investment, the capital should be withdrawn in in a certain period of time as specified by the supervision committee.*

Note 2:*The development activity is a term used to describe the activities that raise the public income, or save in foreign exchange expenditures directly or indirectly.*

Note 3: The foreign banks and their branch offices set up in Iran shall enjoy the privileges of the law and executive regulation of the attraction and protection of foreign investments, provided that they do not contradict the banking laws and regulation.

Article 2:

According to the regulation, foreign capital translates *into:*

A. A. The money imported into Iran through the authorized banks.

B.B. Machinery, equipment and spare parts approved as modern by the supervision committee. The Spare parts should be related to the factory that is being transferred as the capital. The imported spare parts should be listed as the factory capital, not the current expenditures.

C.C.: Ground, marine and air transport vehicles relevant to the factory's activity

D.D.: Right of invention relevant to the job and approved by the supervision committee.

E.E.: Salary of specialists paid before the start of the project in foreign exchange.

F. F. :The partial or complete amount of the profits earned in Iran that have been added to the original capital or transferred to another organization covered by the law of the attraction and protection of foreign investments.

Article 3:

The individuals or institutions of Article 1 that want to import their capitals into Iran, should submit their application with a questionnaire containing the following points either in Farsi, English or French to the supervision committee:

A.A.: Identity of the individual of institution

B.B.: Country of origin of the capital

C.C.: Nature of capital

D.D.: Place of residence and operation

E.E.: Nature of activity (independent or partnership)

F. F.: Domain of activity in Iran

G. G.: Sponsor

Article 4:

The supervision committee will carry out its task in accordance with this regulation. Should the committee agree to the arrival of the capital, it will announce its opinion to the minister of commerce for discussion and approval at the cabinet?

Article 5:

After receiving the agreement of the cabinet, the applicant should declare the list of the non-cash capitals which he is planning to bring into Iran and present an international certificate to be approved by the supervision committee.

After assessing the case, the supervision committee will give the foreign investor or his agent the go-ahead for the arrival of the capital, a stage that translates into the consent for the start of the operation.

Article 6:

The foreign investor can provide insurance coverage for his capital. In case the insured receives any compensation from the foreign insurer for his loss, it shall not be considered a transfer of money.

Article 7:

The recipient of the license shall import his capital within a year of the issuance of the license. Otherwise, the license will be considered null and void. In case of any justified delay, the supervision committee may extend the license for another six months.

Article 8:

The cash capital should be in a currency accepted by the Bank Melli Iran in order to be converted into Rials. As soon as the capital is transferred to the bank, it will be registered in the name of the investor, etc. Paid overseas will be also registered in certain records.

Article 9:

Based on an agreement between the two sides, the Bank Melli Iran may purchase the converted currency. Upon the withdrawal of the capital, the bank will have to convert the rial into the original currency at the same rate of purchase.

Article 10:

The capitals remaining as foreign currency in the bank may be used by the account holder to pay for his foreign orders or domestic purchases. The account holder may even withdraw the money under Article 5 of the law of the attraction and protection of foreign investments. The Bank Melli Iran shall announce a list of the expenditures at the end of each month to the supervision committee.

The foreign investor may withdraw earned profits in the original currency after deducting taxes, duties and legal deposits.

Article 11:

The non-cash capital imported under the regulation will fall outside the annual quota.

Article 12:

If the investor imports the capital in the form of defective goods or at a rate lower than the declared price, the supervision committee will rule that part of the capital out of the investment account.

Article 13:

The investor may transfer the original capital or profits under Article 1 of the law of the attraction and protection of foreign investments overseas in the form of foreign exchange or authorized good provided that he meets the following points:

A. A.: After the supervision committee considers the balance, determines the annual profit and deducts the taxes the supervision committee may not delay issuance of the permit for more than three months of receiving the balance sheet. In case the government’s foreign exchange shortages block the withdrawal of the profits partially or totally, the investor will be allowed to withdraw authorized goods without depositing any security funds.

B. B.: The foreign investors seeking to withdraw his capital under Article 5 of the law of the attraction and protection of foreign investments should draw up his balance sheet after the end of operation in Iran and submit it to the supervision committee along with a prior notice under Article 5.The supervision committee will consequently release the consent. The period cited in the license should not exceed three months, unless the withdrawn capital is huge enough to create foreign exchange shortage. In this case, the supervision committee will impose a longer period of withdrawal. At any rate, the withdrawn amount shall not stand less than 30 per cent of the capital each year.

C. C.: The foreign exchange rate shall be determined in accordance with the day of the transfer.

D. D.: The additional revenue garnered by the Jump in the sale of real estate may not be converted into foreign exchange. The investor, however, may withdraw Iranian goods instead.

E. E.: Upon the sale of the original capital or his shares, the foreign investor may channel the sales proceeds partially or entirely to other activities.

F.F.: Observing Note 2 of Article 3, the foreign investor may sell his shares, without the consent of the supervision committee, to another foreign investor. The new investor shall replace the previous one under the law of the attraction and protection of foreign investments.

G.G.: Should the foreign investor fail to withdraw the profits in a certain period of time and to place a request with the supervision committee for the extension of the period, the capital and profits shall remain intact but outside the law of the attraction and protection of foreign investments.

H.H.: The Bank Melli Iran and the Foreign Exchange Commission should give the foreign investor the original capital or profits for withdrawal.

I.I.: In case the foreign investor wishes to export the original capital of the transferred shares as goods, the ministries of Finance and Commerce should issue the license without demanding foreign exchange commitment. The investor may even withdraw part or the total amount of the annual profits, and register it as capital in the same establishment or elsewhere agreed by the supervision committee.

Note: In case of likely losses caused on the capital, only that part of the capital which has remained intact shall fall under the above regulation.

Article14:

Loss compensation of Article 3 shall be carried out promptly before expropriation.

Article 15:

The institutions whose offices are overseas shall be exempt of paying the right of registration.

Article 16:

The foreign investor may easily withdraw the machinery that he had imported without transferring any foreign exchange into Iran.

Article 17:

At the discretion of the chief of the supervision committee (President of Bank Melli Iran) for discussions over industrial issues, the deputy minister of mines and metals will be invited in to attend the supervision committee. In the case of mining activities, the deputy minister for mining affairs will be called to attend the commerce and banking, the deputy minister of commerce will be invited.

Article 18:

The duties slapped on the supervision committee under the law of the attraction and protection of foreign investments shall be considered their main responsibilities. The wages of the specialists shall be supplied by the Bank Melli Iran. This regulation was drawn up in 18 articles and four notes. After passing the relevant commission of the Senate in its October 9 1956 session, the regulation was ratified by the Commercial Commission of the National Consultative Assembly. The regulation will be henceforth effective as the law of the attraction and protection of foreign investment.

REGULATIONS
ON
INVESTMENT IN IRAN

Article 1

In these Regulations, the following words are used in the place of the corresponding full terms:

Mainland:

The Islamic Republic of Iran, excluding the Free Trade and Industrial

Zones authority:

The Authority of each Free Trade and Industrial Zone of the Islamic Republic of Iran

Zone:

Each Free Trade and Industrial Zone of the Islamic Republic of Iran.

Investment: the utilization of capital in different forms for any economic activity for the purpose of manufacturing goods and providing services.

Foreign Capital:

All the types of capital mentioned in Article 3 of these Regulations (save for the Rial amounts) imported into the Zones by foreign investors.

Foreign Currency

Capital:

The capital mentioned in Article 3 of these Regulations (save for the Rial amounts) that is imported into the Zones from outside the Mainland by Iranian nationals

Net profits:

The excess of realized income earned by an entity over expenses incurred in a financial period resulting from profit-making activities, identified and measured in accordance with generally accepted accounting principles

Article 2

All natural and legal persons and institutions, both Iranian and foreign, as well as international organizations, may either separately or jointly with the Authority and affiliates thereof or jointly with each other invest in the Free Zones in accordance with these Regulations; their accepted capital shall be subject to these Regulations.

Article 3

For the purposes of these Regulations, capital shall comprise:

(a) Rial amounts and foreign currency amounts convertible in the Zones (each Zone);

(b) Machinery, equipment, parts and tools;

(c) Industrial property rights including patents, technical know-how, trademarks and names;

(d) Land, air and sea-going vehicles relating to the Investment;

(e) All or part of transferable net profits generated in the Free Zones and added to the initial capital or utilized in another authorized activity governed by these Regulations.

Note:

In special cases, raw materials and semi-finished parts may, at the discretion of the Authority, be accepted as a part of foreign capital.

Article 4

Capital shall be accepted and made subject to these Regulations under the following conditions:

(a) It is utilized in activities authorized by a Zone;

(b) It has completed the entire procedure for the grant of the investment permit mentioned in

Articles 5 ,6 and 7;

(c) It does not involve the grant by the Authority to the investor of a concession or monopoly rights.

Foreign investors may participate in the economic activities of the Zone up to any ratio (of the amount of investment).

Article 6

The investors mentioned in Article 2 of these Regulations that wish to import their capital in any of the Zones must submit to the Zone Authority their application together with a questionnaire (Prepared by the secretariat and the Zone Authorities and placed at said investors disposal).

Applications received in a Zone shall be examined by the Zone Authority and an investment permit issued by the Authority of that Zone.

Note1:

Alterations to the contents of the questionnaire and the investment permit may only be made with the knowledge and, where necessary, approval of the Zone Authority.

Article 7:

Within the period specified in the investment permit, the holder of an investment permit must import into the Zone a set percentage of the capital in order to commence implementation of the activities mentioned in the investment permit.

Article 8:

The importation and registration of capital in Free Zones shall be undertaken in the following manner:

(1) The capital mentioned in Article 3 (a) of these Regulations shall be deposited in the bank (or authorized credit institution) account of the entity in which the investment is to be made and,

after computation of the Rial or foreign currency counter value, as the case may be, at date of the deposit and in accordance with the certificate of the bank (or the authorized credit institution), registered as the capital of the investor in the register of the Zone Authority.

(2) The capital mentioned in Article 3 (b) and (d) of these Regulations and as specified in the investment permit and evaluated as per their CIF value evidenced by documents and relevant invoices shall, after review by the Zone Authority, be converted in total at date of customs

clearance into a convertible foreign currency; the foreign exchange value thereof and, concurrently, its Rials equivalent (at the current rate of exchange posted in the Zone) shall be registered as of that date as the capital of the investor in the register of the Zone Authority.

(3) The capital mentioned in Article 3 (c) of these Regulations shall, after its evaluation has been confirmed by the Zone Authority, be registered as capital in the register of the Authority. Allocation of the value of the technical know-how to the capital account shall be concurrent with the transfer of said technical know-how.

(4) The capital mentioned in Article 3 (e) of these Regulations shall, after confirmation by an Auditing firm acceptable to the Zone Authority, be registered as capital in the register of the Zone Authority in the following manner:

(a) After obtaining the approval of the Authority, with the aim of increasing the capital to expand investment in the same entity;

(b) After obtaining the approval of the Authority, with the aim to expand investment in activities other than activities for which permission has been granted.

(c) After following the procedure set forth in Article 6 of these Regulations, if the aim is to invest in activities other than the activity for which the investment permit was issued.

(5) Whenever all or part of imported capital in kind is deemed in the judgment of the Authority as defective, damaged or useless, or do not conform to the specifications declared in the application, or whose declared value exceeds its real value, such portions of its price are not confirmed by the Authority shall he carried into the capital account.

(6) In cases where capital goods Mentioned in Article 3 (b) and (d) of these Regulations Belonging to foreign investors were previously used on the Mainland and transferred to the zones with the authorization of relevant Mainland authorities, the transfer of such goods shall be deemed as a transfer of domestic capital and shall be subject to the provisions of these regulations.

Article 9 :

Investors may insure the capital they import into the Zones. If, pursuant to the occurrence of a Contingency, an insurance company becomes the subrogate of the investor in accordance with the Insurance policy, such subrogation by virtue of payment of compensation to the insurers shall be Recognized; however, it shall not be deemed as an assignment of capital.

Article 10 :

The legal rights of foreign investors are guaranteed and protected. In cases where the capital of Foreign investors is nationalized by law in the public interest and/or said investors property is Expropriated, fair compensation of damages shall be effected either by the Government in Compliance with the “Law of Attraction and Protection of Foreign Investments” or by the Authority as required by the investor. In case the Authority is to compensate the damages, the Investor must within a period of six months from date of the expropriation file with the Authority a request for compensation of damages incurred. The Authority shall evaluate at current prices The amount of damages incurred and within a period of three months’ pay compensation thereof. The Zone Authority may undertake the aforementioned guarantees through contractual arrangements with the Central Bank and other banks, credit institutions and insurance companies.

Note:

In case the investors subject to this Article are inclined that the guarantee mentioned in the Law on Attraction and Protection of Foreign Investments (approved in 1334), to be fulfilled, their Proposal of investment has to he submitted to the body subject to the Article (2) of above-Mentioned law. Issuance of guarantee shall be allowed in compliance with the procedures and

Formalities defined in that Law.

Article 11

Each year all entities set up in a Zone pursuant to investment permits must communicate to the Authority a report on their operations and their financial accounts; the financial accounts must be confirmed by an auditing firm acceptable to the Authority,

Article 12

Repatriation from the Zones of net profits, the initial capital and gains resulting from economic Activities undertaken with Foreign Capital and Foreign Currency Capital as well as the proceeds of the sale or transfer of these types of capital is permitted. Upon request of such investors, and after verification that the amounts for which repatriation From a Zone is requested, results from utilization of the investors registered capital in the activity Specified in the investment permit, and after ensuring that the circumstances set forth in the Following Note have been taken into account, the Zone Authority shall issue the necessary authorizations within one week from date of receipt of said request.

Note:

In its review, the Zone Authority must take into account whether the investor may benefit from The tax exemptions mentioned in Article 13 of the Law on the Administration of the Free Zones and whether the amounts for which repatriation is requested are net amounts.

Article 13

Payments of installments of the principal of loans and related expenses, as well as payments Pursuant to patent, technical know-how, technical assistance and engineering, trademark, management and similar contracts are authorized if the Authority is informed and if they are made within the framework of investment projects based on relevant contracts and financial Statements.

Article 14

Investors may transfer their shares of stock to other investors with the authorization of the Zone Authority. In such case, the transferee shall be deemed in every respect the successor of the original investor.

Article 15

The transfer of capital from one Zone to another Zone shall be subject to the investment regulations of the Zones from which the capital departs and in which it enters.

Article 16

Disputes between foreign investors and Iranian parties shall be settled in accordance with contracts and written agreements.

Note

تهران- خیابان ولی عصر- خیابان شهید اکبری- شماره ۵۱- برج سروساعی#۱۱۰۳ – تلفن: ۱۲۹۵-۸۸۷۰۱۲۸۰، نمابر: ۸۸۷۱۰۴۷۹-۸۸۷۱۱۷۹۳
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