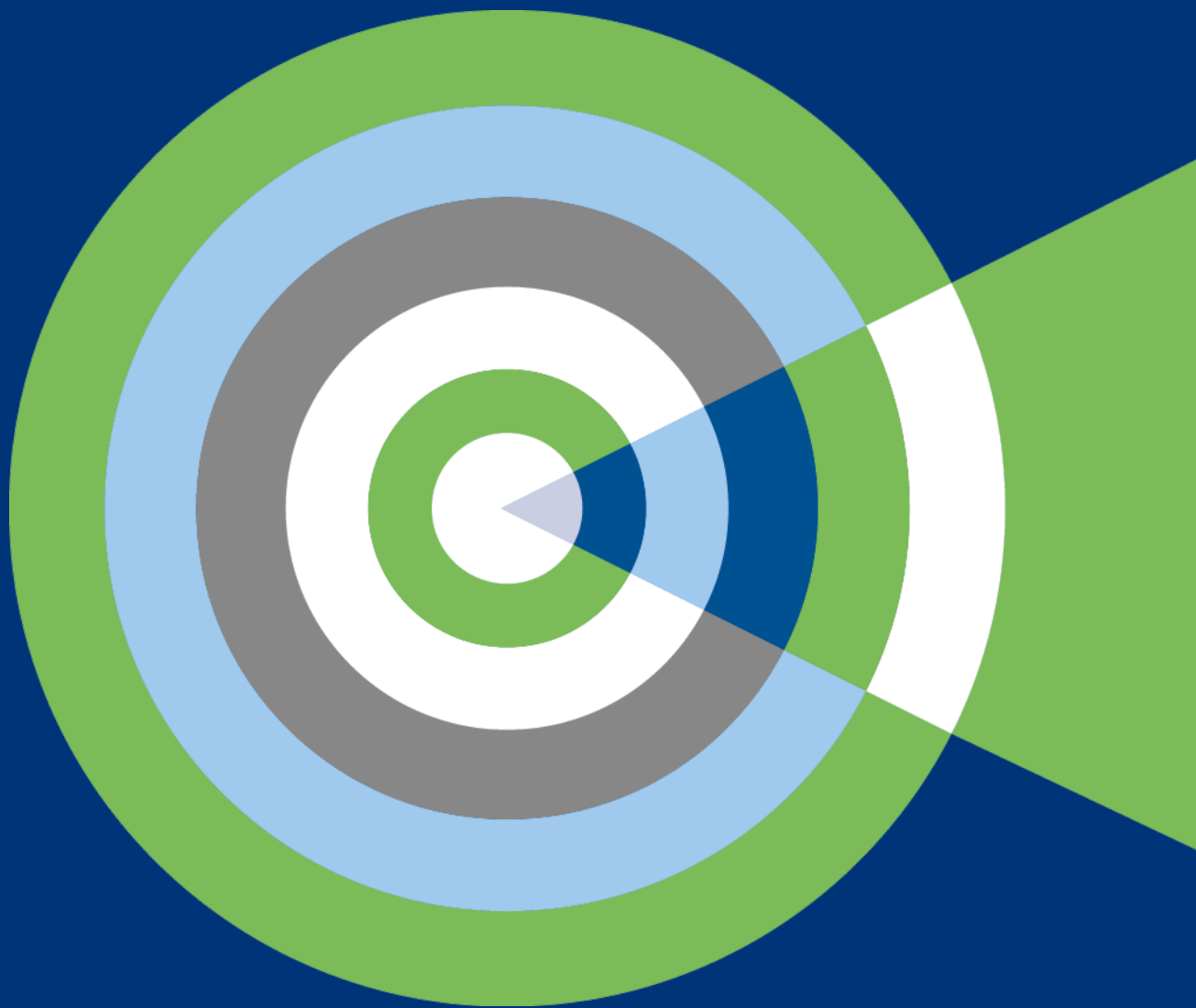


# DOING BUSINESS

IN IRAN

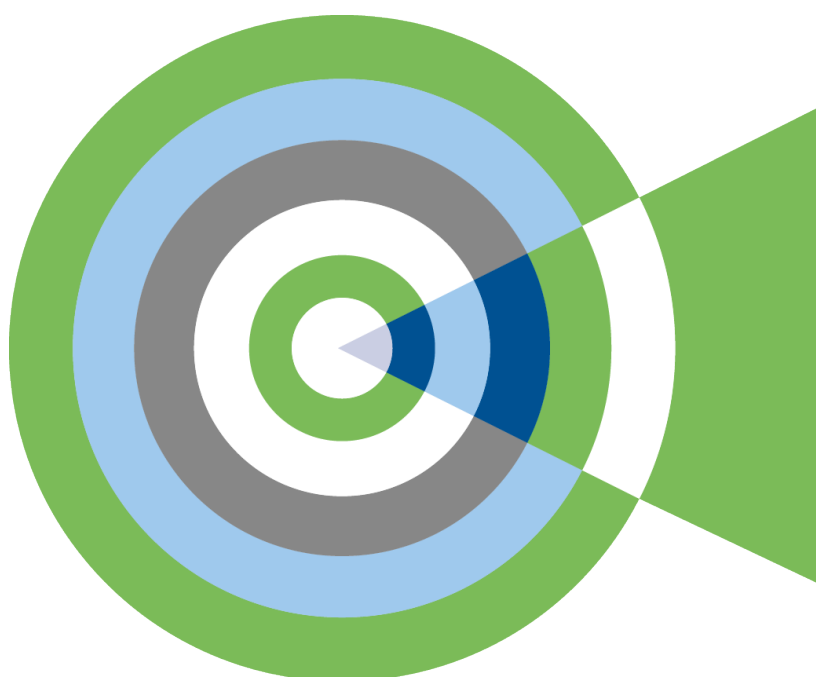


The network  
for doing  
business

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# 1 – INTRODUCTION

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UHY is an international organisation providing accountancy, business management and consultancy services through financial business centres in 100 countries throughout the world.

Business partners work together through the network to conduct transnational operations for clients as well as offering specialist knowledge and experience within their own national borders. Global specialists in various industry and market sectors are also available for consultation.

This detailed report providing key issues and information for investors considering business operations in Iran has been provided by the office of UHY representatives:

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Information in the following pages has been updated so that they are effective at the date shown, but inevitably they are both general and subject to change and should be used for guidance only. For specific matters, investors are strongly advised to obtain further information and take professional advice before making any decisions. This publication is current at April 2024.

We look forward to helping you do business in Iran.

## 2 – BUSINESS ENVIRONMENT

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### FORMAL NAME

Islamic Republic of Iran

### CAPITAL

Tehran (located in its titular province).

### AREA

Total 1,648,195 km<sup>2</sup>: land 99.3%, water 0.7%.

### POPULATION

Total: 87.5 million (2023)

### ADMINISTRATIVE AND TERRITORIAL STRUCTURE

31 Provinces, 488 counties (shahrestans).

### GEOGRAPHY

Iran is situated in Western Central Asia in the area commonly referred to as the Middle East. It was geographically known as Persia until as recently as the twentieth century. In the North and Northwest, it is bordered by the Caspian Sea, Azerbaijan (not to be confused with its own Iranian Azerbaijan region), Armenia and the autonomous Nakhchivan enclave. To the West lie Turkey and Iraq. Its southern boundaries extend to the scenic shores of the Persian Gulf and Gulf of Oman. It is adjacent to Afghanistan and Pakistan in the East and Turkmenistan to the Northeast.

### CLIMATE

The climate of Iran is as diverse as its topography ranging from mild and wet subtropical rainforest on the Caspian coast at Golan to the Mediterranean climate of Shiraz; very cold mountains of the Zagros and Alborz to the hot dry deserts of Lut and Kavir Buzurg; semi-desert of Tehran to dry coastal climate on the Persian Gulf and Gulf of Oman coasts. Iran's diverse climate allows for an amazing array of leisure and adventure activities. Skiing and extreme snow sports, scuba diving and snorkelling, ecotourism and safari are all within a short distance of each other almost year round.

### CURRENCY

The official currency of Iran is the Iranian Rial. USD, Euros, GBP and other currencies can be exchanged for Rial throughout Iran. According to the IATA, any amount exceeding 10,000 USD must be declared upon arrival as is standard when entering most countries. Day to day expenses such as dining and transportation are surprisingly affordable compared to Western economies.

### LANGUAGE

Linguistically diverse, Persian (Farsi) is spoken by the majority of Iranians. Several other related Indo-Iranian languages are spoken - Kurdish, Azeri Turkish, and Arabic. A large percentage of Iranians speak moderate to advanced English. Tourist information is available in English at many hotels and cultural attractions.

## RELIGION

Islam is the national religion.

## GDP IRAN



Iran's gross domestic product (GDP) including oil grew 4.5 percent in the first nine months of the current Iranian calendar year (March 21-December 21, 2023), compared to the first three quarters of last year, according to the Central Bank of Iran (CBI). Based on the CBI data, the figure excluding oil increased by 3.5 percent.

Earlier, the Statistical Centre of Iran (SCI) had put the country's GDP growth at 5.1 percent in the third quarter of the current Iranian calendar year (September 23-December 21, 2023); the figure excluding oil increased by 2.5 percent.

The SCI data indicate that in the autumn of the current Iranian year, the oil and gas sector was the leading sector growing by 21.8 percent, the industry sector grew by 1.3 percent, the mining sector grew by 0.3 percent and the services sector grew by 4.6 percent compared to the Q3 1401.

As announced previously by the central bank, Iran's GDP grew four percent in the past Iranian calendar year 1401 (ended on March 20). The CBI put the GDP growth at 3.5 percent excluding oil.

According to CBI data, the GDP growth was positive in all four quarters of the previous year so that from the first quarter to the end of the fourth quarter of the said year, the economic growth rate of the country was 1.9 percent, 3.9 percent, 4.9 percent, and 5.3 percent, respectively.

## MAJOR EXPORTS AND IMPORTS

In 2022, Iran was the number 40 economy in the world in terms of GDP (current US\$), the number 86 in total exports, the number 69 in total imports, the number 116 economy in terms of GDP per capita (current US\$) and the number 58 most complex economy according to the Economic Complexity Index (ECI).

EXPORTS: The top exports of Iran are [Ethylene Polymers](#) (\$2.73B), [Refined Copper](#) (\$1.02B), [Acyclic Alcohols](#) (\$997M), [Raw Aluminium](#) (\$894M), and [Petroleum Gas](#) (\$595M), exporting mostly to [China](#) (\$5.72B), [Turkey](#) (\$3.17B), [Kuwait](#) (\$960M), [Pakistan](#) (\$762M), and [India](#) (\$653M).

In 2022, Iran was the world's biggest exporter of [Sheep and Goats](#) (\$362M)

IMPORTS: The top exports of Iran are [Ethylene Polymers](#) (\$2.73B), [Refined Copper](#) (\$1.02B), [Acyclic Alcohols](#) (\$997M), [Raw Aluminium](#) (\$894M), and [Petroleum Gas](#) (\$595M), exporting mostly to [China](#) (\$5.72B), [Turkey](#) (\$3.17B), [Kuwait](#) (\$960M), [Pakistan](#) (\$762M), and [India](#) (\$653M).

Location: Iran borders Afghanistan, Armenia, Azerbaijan, Iraq, Pakistan, Turkey, and Turkmenistan by land and Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates by sea.

## EDUCATION – PRIMARY AND SECONDARY

### Primary Education

School education is free right through state secondary school, and mandatory for primary school grades. 42% of the national budget is applied to education with on-going efforts to benefit rural areas. The process begins with 1 year of pre-school orientation following which children automatically enter primary school. There they pass through grades 1 to 6. At the end of this, they sit a national examination that they must pass too, if they are to enter middle school.

### Secondary Education

Four years of secondary education cover grades 7 to 12. Students have the final choice between studying at academic or technical levels. If academic, they select one of 4 academic streams (literature and culture, physics / mathematics, socio-economics or experimental sciences. If vocational, they have choices between agriculture, business / vocational training, and technology.

### Vocational Education

The Technical and Vocational Organization oversees vocational training and provides this at 600 permanent centers, and through mobile classrooms too. It has also authorised over 14,000 private institutions to assist it in creating the crucial skills the country needs, before it may become, finally, a first world economy.

## TERTIARY EDUCATION

Students wishing to study at university must pass the national entrance examination in order to obtain their high school diploma. Following that, they may enter one of a number of universities, institutes of technology, medical schools and community colleges.

Universities have their own entrance examinations too. If successful once more, their students may obtain a diploma after 2 years study or a bachelor's degree after 4. A master's degree takes a further 2 years, following which they also have the option of pursuing doctorates.

## TRANSPORTATION LINKS

Iran has a sophisticated network of public transport, including the subway, buses, trains, taxis and internal flights. There is a women's section on the subway and bus which is strictly women-only. However, women are permitted to enter the men's sections when it is less busy to sit with their male companion.

Imam Khomeini International Airport (IKIA) is the main international airport in Iran, located around 30km from Tehran. It is recommended that you book a CIP (commercially important person) ticket for your return trip to your country. CIP is a service that you can book at the airport which will give you a faster boarding time and access to a private lounge to wait for your flight.

The main port in Iran is Bandar Abbas port, which handles around 90% of the country's container throughput. The main export terminal is Kharg Island, roughly 90% of Iran's exports are sent via Kharg.

## HOLIDAYS IN IRAN

### Differences in Calendar and Working Week

The governmental fiscal year runs from 21st March to the 20th March. The date in Iran is currently 1403.

The working week is generally from Saturday to Wednesday; however, some private companies are open for half a day on Thursday.

### OFFICE HOLIDAYS IN IRAN IN 2024

Date	Day	Event
25 Jan	Thu	Birthday of Imam Ali (sa)
08 Feb	Thu	The Prophet's Ascension
11 Feb	Sun	Anniversary of the Islamic Revolution
25 Feb	Sun	Imam Mahdi's Birthday (sa)
20-23 Mar	Wed-Sat	Noruz Holiday
31 Mar	Sun	Islamic Republic Day
01 Apr	Mon	Martyrdom of Imam Ali (sa) / Nature Day
10 Apr	Wed	Eid e-Fitr
11 Apr	Thu	Eid e-Fitr
4 May	Sat	Martyrdom of Imam Sadeq (sa)
03 Jun	Mon	Demise of Imam Khomeini
04 Jun	Tue	Khordad National Uprising (1963)
17 Jun	Mon	Eid al-Adha
25 Jun	Tue	Eid al-Ghadir
15 July	Mon	Tassoua Hosseini
16 July	Tue	Ashura
25 Agu	Sun	Arbaeen
02 Sep	Mon	Death of Prophet Muhammad/ Martyrdom of Imam Hassan (sa)
04 Sep	Wed	Martyrdom of Imam Reza (sa)



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12 Sep	Thu	Martyrdom of Imam Hassan Asgari (sa)
21 Sep	Sat	Prophet Muhammad's Birthday and Imam Sadegh (sa)
05 Dec	Thu	Martyrdom of Hazrat Fatemeh (sa)

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*\* Islamic holidays are subject to the sighting of the moon, and dates can change on the Gregorian calendar.*

## 3 – FOREIGN INVESTMENT

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Despite its challenges, Iran is an interesting country to invest in with lots of opportunities and market chances locally and in the region. There are many areas in services and production that are far from saturation. Especially smaller foreign investors continue profitable operations in Iran.

### Foreign Direct Investment in Iran



### **OVER \$400 MILLION OF FOREIGN INVESTMENT IN 2023**

The Iranian Ministry of Economic Affairs and Finance (MEAF) said \$450 million in foreign investment within the framework of Foreign Direct Investment (FDI) has been approved at the latest session of the Foreign Investment Board.

The foreign investment under FDI was approved in industrial and pharmaceutical fields, foodstuff, construction, tourism, road construction equipment, urban management, services and agricultural fields.

At the 278<sup>th</sup> session of the Foreign Investment Board, the foreign investment, costing over \$450 million, was approved in different economic fields.

These projects were investigated by investors from various countries, including China, Turkey, Iraq, India, Afghanistan, the United Arab Emirates (UAE), Saudi Arabia, Russia, and Pakistan as well as Iranians residing overseas, IRNA reported.

According to the report, 318 projects, valued at more than \$5.5 billion, were approved in 2023, showing a considerable hike compared to a year earlier.

## TRADE-INDUSTRIAL FREE ZONES

### **Incentives and advantages for investment in Trade-Industrial Free Zones:**

- 1-Tax exemption for 20 years from the date of operation for all economic activities
- 2-Foreign investment and nearly a hundred per cent of the amount invested.
- 3- Freedom of entry and exit of capital and profits
- 4- Protection and guarantees for foreign investments.
- 5- Abolition of entry visas and easily issue of residence permits for foreigners.
- 6-Facilitated regulation on labour relations, employment and social security.
- 7- Transfer of part manufactured goods to the mainland without paying customs duties.
- 8- Elimination of pay customs duties on imports from outside to the region and vice versa.
- 9- Employing trained and skilled manpower in all different skill levels and professions.
- 10- Utilization of raw materials, oil and gas as feedstock and fuel for all industrial activities.

### **The list of the Trade-Industrial Free Zones of the Islamic Republic of Iran are as follows:**

- 1-Qeshm Trade-Industrial Free Zone
- 2-Chabahar Trade-Industrial Free Zone
- 3-Aras Trade-Industrial Free Zone
- 4-Anzali Trade-Industrial Free Zone
- 5-Arvand Trade-Industrial Free Zone
- 6-Kish Trade-Industrial Free Zone
- 7-Maku Trade-Industrial Free Zone

## SPECIAL ECONOMIC ZONES

### **Incentives for investment in Special Economic Zones**

- Import of goods from the above mentioned zones for domestic consumption would be subordinate to export and import regulations, and export of goods from these areas will be carried out without any formalities.
- Import of goods from abroad or free trade zones or industrial area-would be carried out with minimal customs formalities and good internal transit cases would be performed in accordance with the relevant regulations.
- Log entry of merchandise subject to this article will be done without any customs formalities.
- Goods imported from outside or industrial areas or other commercial zones can be exported without any formalities of the country.
- Management of the region is allowed to assign the region to qualified natural or legal persons after classification and valuation.
- Owners of goods imported to the region can send all or part of their goods for temporary entry in to the country after doing customs clearance regulations.
- If the processing of imported goods is to some extent that changes the tariff of goods, the rate commercial benefit of the goods would be calculated equal the commercial benefit of raw materials and spare parts of the country.
- Importers of goods are allowed to hand over to others part or all of their products against warehouse receipt to be issued by the district administration, in this case the breakdown warehouse receipt holder would be the owner of the goods.
- The management of each district is authorized to issue certificated of origin for goods per applicant out of the area with the approval of the customs.
- All the goods imported to the region for the required production or services are exempted from the general import-export laws. Imports of goods to other parts of the

country will be subordinated to export and import regulations.

- Percentage of goods produced in the zone, based on paragraph (d) of clause (25) of the law of the second economic, social and cultural development plan of the Islamic republic of Iran imported to the country, the proportion of total value added and domestic parts and materials used in the total price of the commodity production is allowed without any limitation and in addition to not having to order and open letter of credit.
- Goods manufactured in special economic zones, as well as raw materials and imported CKD parts into the country is not subject to price regulation due to unutilized resources and allocated currency.

**The list of the special economic zones of the Islamic Republic of Iran are as follows:**

- 1-Salafchegan special economic zone
- 2-Shiraz special economic zone
- 3-Assaluye special economic zone
- 4-Arge Jadid special economic zone
- 5-Payam Airport special economic zone
- 6-Persian Gulf special economic zone
- 7-Lorestan special economic zone
- 8-Amirabad port special economic zone
- 9-Bushehr Port special economic zone
- 10-Shahid Rajaei Port special economic zone
- 11-Sarakhs special economic zone
- 12-Sirjan special economic zone
- 13-Yazd special economic zone
- 14-Bushehr special economic zone

**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

### 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.

### 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.

### 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.

#### 1. 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.

#### 2. Cooperative Exemption

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

#### 3. 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

#### 4. EXPORT EXEMPTION

- a) 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 conversional- 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.
- b) 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.

#### 5. 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.

#### 6. 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

### 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 neighbouring 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.

## GUIDE TO EXPORT AND IMPORT, CUSTOMS FORMALITIES

### Customs Exemptions

- Exemption of manufacturing machinery from import duty relevant to single article dated July 15, 1980 of the Council of Revolution as well as Article 16 of the Customs Law of the I. R. of Iran – passed in 1971 – at the discretion of the Ministry of Industries and Mines on condition of lack of domestic production of such machinery.
- Import before export of materials and goods used in manufacturing, finishing, preparation and packaging of export commodities in the form of temporary imports against submission of valid undertaking or promissory note to the I. R. of Iran Customs Administration (IRICA) will be exempted from import duties except taxes levied on pertinent costs or commissions.
- All export commodities of the country (except crude oil and downstream oil products for which there are special rules and regulations) are exempted from any foreign exchange undertaking or deed of obligations.
- In connection with import materials and goods used in export commodities fully cleared from the Customs gates, the duties paid will be refundable upon the export of the commodity.
- In case the goods used in export commodities have been domestically manufactured but their materials have been exported, the duties paid will be refundable.

### Import Registration

The import of all importable commodities by the governmental or non-governmental importers except in following cases will be subject to registration and receiving import certificate from the Ministry of Commerce upon observing other stipulated rules and regulations.

## INSTANCES OF EXEMPTION FROM REGISTRATION AND IMPORT CERTIFICATE FROM

### Ministry of Commerce:

- Passenger goods to the extent mentioned in IRICA rules and regulations and according to the list provided by the Ministry of Commerce
- Import goods through postal service to the extent mentioned in IRICA rules and regulations
- Trade and manufacturing samples to the extent mentioned in pertinent rules and regulations
- Sample products for display in all international exhibitions in Iran

### Commodity Registration Procedure for Foreign Investors:

- Logging on [www.tpo.ir](http://www.tpo.ir) (Export Promotion Organization) for downloading and filling out the related registration forms
- Submitting required documents to the Foreign Trade Division (Registration Unit) of the Organization of Industries, Mines and Trade at the province where the company is situated. The following documents are needed:
- Filled-out registration form

- Valid pro forma of non-cash foreign capital of the company issued by the manufacturing company
- Submitting Trade Certificate issued by Chamber of Commerce, Industries and Mines and approved by the province's Organization of Industries, Mines and Trade
- Submitting a letter from the Organization for Investment, Economic and Technical Assistance of Iran addressed to the Organization of Industries, Mines and Trade to approve the import of non-cash foreign capital for statistical registration. [Upon the approval of Organization for Investment, Economic and Technical Assistance of Iran for the import of non-cash foreign capital (including machinery, equipment, spare parts, CKD parts, raw materials, additives, etc.), the ministry of Industries, Mines and Trade will carry out statistical registration and notify IRICA houses for evaluation and clearance of the commodities. IRICA evaluation will be acceptable and the evaluated sum will be registered along with the transport and insurance charges in the name of the investor. Then, the commodity or the capital will be under the coverage of Foreign Investment Promotion and Protection Act (FIPPA).
- For customs formalities and cargo clearance, foreign investors can submit the filled-out forms and documents and pro forma signed and sealed by the provincial Organization of Industries, Mines and Trade to the local customs houses.

#### Trade Certificate

Trade certificate is a document for import or export of products.

#### How to Apply for a Trade Certificate?

Trade certificates are issued by the Chamber of Commerce, Industries and Mines in Tehran or other provinces for the qualified applicants (whether Iranian or non-Iranian real and legal entities) for a period of one year (extendable) for a special field of activity upon the request of the applicant. It will be valid after the approval of the Ministry of Industries, Mines and Trade.

At the discretion of IRICA, there will be no need for trade certificate for the commodities imported or exported for non-trade purposes.

#### Temporary Import

The import before export of raw materials and goods needed for manufacturing, finishing, preparation and packaging of export commodities relevant to Article 12 of the Export/Import Rules and Regulations, passed on Sept. 26, 1993, will have to observe the following:

#### Conditions for Issuance of Import Certificate:

The import certificate relevant to Article 24 of the Executive Bylaw of Export/Import Regulations Act will be only issued for factories, corporations and manufacturing units (whether trade or industrial) that hold a valid certificate. The commercial and cooperative units can enjoy the privileges only upon their valid contract with the certified manufacturing units. The maximum raw material and goods import for the manufacturing units will be according to the nominal capacity of their production.

Exporters importing raw materials and other required goods for their manufacturing units temporarily are obligated to export a minimum 125% of the value of imported materials and goods in the form of manufactured products. If, after the 125% export, any product remains for domestic consumption, it will be considered as permanent import and subject



to customs duties, trade profit and other tolls after changing the temporary declaration into a permanent declaration.

The deadline for export of finished commodities will be one year after temporary import of raw materials and goods. The deadline can be extended to one more year upon the discretion of IRICA.

For temporary import of commodities relevant to the above-said article, IRICA will collect undertakings and promissory notes according to the pertinent rules and regulations.

In the case of governmental factories, corporations and manufacturing units, promissory note or written guarantee will be collected at the discretion of IRICA.

In the case of non-governmental factories, corporations and manufacturing units, exemplary units, and highly recognized firms, written guarantee or promissory note plus bank guarantee worth the value of imported goods at the recognition of IRICA

In case of businessmen and merchants, promissory notes or bank guarantee worth the same value of the imported goods at the recognition of IRICA

## 4 – SETTING UP A BUSINESS

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### COMPANY ESTABLISHMENT FOR FOREIGNERS

#### LEGAL BACKGROUND AND CURRENT SITUATION

**1- Constitutional law:** According to principle number 81 of *Iran Constitutional law*: “It is absolutely forbidden to give foreigners the right to establish companies or institutions in commercial, industrial, and agricultural fields, as well as in mines and in the service sector”. See *Iran Constitutional law* in WIPO

Website: [www.wipo.int/edocs/lexdocs/laws/en/ir/ir001en.pdf](http://www.wipo.int/edocs/lexdocs/laws/en/ir/ir001en.pdf)

A correction needs to be made in this translation of *Iran Constitutional law*. The above-mentioned principle does not forbid the right but privilege. In another word, foreigners have the right to establish a company in Iran as long as it does not form a privilege. Of course, it took a decade for law-making bodies to clarify this difference but it finally happened.

Furthermore, in *Commercial Code* and *Company Registration Act*, there was no requirement for company founders or shareholders to be of an Iranian national but it was still forbidden for foreigners to establish a company in which 100 per cent of shares belong to non-Iranians. Until 2002, if a foreigner wanted to establish a company in Iran, he or she had to participate with Iranian nationals and his or her share could not exceed more than 49 per cent of company’s shares or capital.

**2- Foreign Investment Promotion and Protection Act:** This Act was adopted on March 10, 2002. This Act has some complicated rules about foreign investment but its provisions about company registration can be summarized in this statement: Establishment of a company in which 100 per cent belongs to non-nationals is possible only for foreigners who have an investment contract with the Organization for Investment Economic and Technical Assistance of Iran. See the website of this organization: <http://www.investiniran.ir/>

At this point, there are two ways for a foreigner to establish a company in Iran: One is by participating with an Iranian national, which the foreigner could not own more than 49 per cent of company’s shares. And two, by signing an investment contract with Iran’s government through the Organization for Investment Economic and Technical Assistance of Iran. In this type, this foreigner can establish a company in which 100 per cent of the company belongs to itself.

From the adaptation of this Act up until almost a decade later, the *Company Registration Office* would have asked the following from the foreigner in order to establish the company: 1- investment contract with a governmental organization 2- one or more Iranian nationals as partners in the company. This process was applied for a decade until another regulation was adopted.

**3- Regulation No 89/01/34624:** According to this Regulation: A) Based on the current legal situation, foreign nationals are allowed to establish a company with 100 per cent ownership. B) Ministry of Labour will handle the issuance and extension of job residency for foreigners who have established a company in Iran regardless of the percentage of ownership.

This Regulation was adopted in 2010. From this date, foreigners can establish a company in Iran with 100 per cent of ownership without the participation of an Iranian national or an investment contact.

A regulation is not as powerful as an act but after this regulation, there is no legal document that clearly states that establishment of a company for foreigners with 100 per cent of ownership is allowed. Despite this fact, every Act that adopted after this Regulation is based on this assumption that it is allowed for foreigners to establish a company with 100 per cent of ownership.

## BRANCH AND REPRESENTATIVE OF FOREIGN COMPANIES

### LEGAL BACKGROUND AND CURRENT SITUATION

**1- Registration of Branch and Representative of Foreign Company Act:** This Act was adopted on November 12, 1997, and it is just one Article: “Foreign Companies that are legally established in their country of registration, providing reciprocal action, can operate in Iran according to Iran Laws and Regulations”.

**2- Regulation:** The above mentioned Act has a regulation which declares the conditions and process.

According to Article number one of this Regulation:” Foreign companies can establish a branch in Iran for one or more of the following activities:

1. After sale services for the parent company.
2. Applying the executive phase of contracts concluded between Iranian nationals and the parent company.
3. Contextualizing of investment in Iran on behalf of the parent company.
4. Enhancing non-oil exports in Iran.
5. Cooperating with Iranian companies in order to work in other countries.
6. Technical and engineering services and the transfer of technology.
7. Perform any other business activities which require government’s permission such as transportation, insurance and marketing.

**3- Representative:** Foreign companies can establish a representative office in Iran. A representative is an Iranian individual or a legal entity which has a “Representation contract”. The representative is responsible for the activities according to the contract.

The following document has to be submitted to the *Company Registration Office* In order to establish a Branch:

1. Company Statute and Establishment Notice.
2. Latest financial report.
3. A report containing the company’s activity, reasons for establishing a branch, types and scope of the branch authority, place, assessment of Iranian and non-Iranian manpower, and financial resources for managing the branch.
2. Iranian individuals or entities who want to register a representative office for a foreign company should submit the following documents to *Company Registration Office*:
  1. Representation contract.
  2. Identification documents such as a birth certificate for individuals and statute for entities.
  3. Work experience in related areas of the representation contract.
  4. The statute of the parent company.

5. A report of the company's activity and reasons for establishing a representation office.
6. Latest financial report of the parent company.
7. A written request addressed to the respective Ministry.

### SETTING UP A BUSINESS

As a foreign entrepreneur, you can choose to open a company in Iran and you should know there are different alternatives, depending on the intended activities. As in other countries, there is a Commercial Code which recognizes seven types of companies:

1. Joint Stock Company or Corporation (Sherkat Sahami),
2. Limited Liability Company (Sherkat ba Masouliyat Mahdoud),
3. General Partnership (Sherkat Tazamoni),
4. Limited Partnership (Sherkat Mokhtalet Gheyr Sahami),
5. Joint Stock Partnership (Sherkat Mokhtalet Sahami),
6. Proportional Liability Partnership (Sherkat Nesbi),
7. Production and Consumption Cooperative Society (Sherkat Ta'avoni Towlid va Masraf).

The main types of companies which are established in Iran by most entrepreneurs are: limited liability Company, joint stock partnership and public joint stock company.

The limited liability company can be incorporated in Iran with one director, who can be of any nationality, and two shareholders. Furthermore, the minimum paid up share capital that is required is only 1 EUR. Mostly, this type of business entity is created when entrepreneurs want to open trading companies.

The private joint stock partnership is a type of business which restricts for its members the right to transfer their shares. At least two directors and three shareholders are needed. They can be of any nationality and the minimum share capital that is required is 40 EUR. The entrepreneurs need to know that they will have to submit, to the Government, all the financial statements, annually, and, if it (statement) will be lower than one million EUR or if the value of the total assets is beneath two million EUR, they will be excluded from getting an audit.

### CONDITIONS FOR SETTING UP A PUBLIC JOINT STOCK COMPANY

The public joint stock company is recommended if the client wants to raise public capital. In this case, there are required two directors and at least five shareholders (of any nationality) for a successful registration. At least 20% of the company shares will be issued to the general public. More so, the company must be listed on the national stock exchange and, annually, it will have to submit the financial statements to the Government.

## 5 – LABOUR

### Labor Force Participation Rate at 40.9% in FY 2022-23

The Statistical Center of Iran has put labor force participation rate, the proportion of the population of ages 15 and above that is economically active – either employed or looking for a job – at 40.9% or 26.06 million people in the last Iranian year (March 2022-23), unchanged compared with the year before.

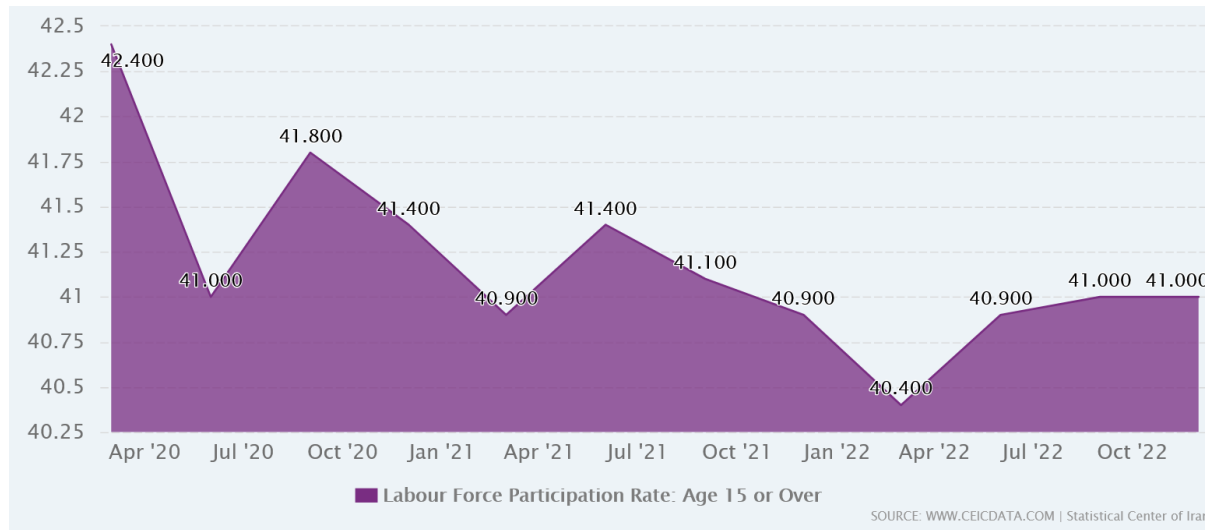
Men's and women's economic participation rates reached 68.7% and 13.6% respectively.

A total of 21.72 million men and 4.33 million women of ages 15 and above were economically active, i.e., they were either employed or looking for a job.

Zanjan Province had the highest labor force participation rate (49%) and Ilam had the lowest (32.5%).

Tehran registered a 40.4% participation rate in the fiscal 2022-23.

View Iran's Labour Force Participation Rate from Apr 2020 to Oct 2022 in the chart.



In Iran, the annual wage is determined by the Ministry of Cooperatives Labour and Social Welfare every year and communicated to all employers. The minimum wage is about 71.000.000 Million Rials for 1403 (2024).

## SOCIAL SECURITY

Article 148 of the Labour Code obliges employers to insure their workers in accordance with the Social Security Act, and Article 183 of the Labour Code expresses the guarantee of the violation of the insurance of the worker.

According to Social Security Law of Iran, Article 36, the employer is responsible for the payment of his share of the contribution and that of the insured to the organization and is bound, at the time of payment of wages or salaries and benefits, to deduct the share of the insured and pay it to organization adding his own share thereto. Where the employer fails to deduct the insured's share of the contribution, he shall be personally responsible for its payment. Delay in payment or non-payment of insurance contribution by the employer shall not absolve the organization of its responsibility and undertaking toward the insured.

### Received contribution

Pension fund	Insured person share	Employer share	Government share	Total
Social security	%7	%20	%3	%30

## HOURS OF WORK

Article 51 of the Labour Code defines hours of work as the period during which a worker is at the disposal of his employer for the purpose of performing work, save as otherwise specified in this Code. A worker's hours of work shall not exceed eight hours per day (40 hours in a week).

## 6 – TAXATION

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### GUIDE ON IRANIAN TAXATION SYSTEM FOR FOREIGN INVESTORS

#### SIMILAR TAXATION FOR IRANIAN AND FOREIGN INVESTORS

Foreign investors in Iran enjoy the same supports and privileges that are offered to the Iranian investors. In this connection, the Direct Taxation Law passed in 1987 and the following amendments have considered no discrimination in taxation of domestic and foreign investors. This means both Iranian and foreign investors pay the same amount of taxes. Tax exemptions and discounts are also equally granted to domestic and foreign investors.

The Direct Taxation Law, passed in 1987, is regarded as the core of the taxation system in the Islamic Republic of Iran. The law was extensively reviewed and reformed in 2001 to be in tandem with the on-going economic conditions in the country. Production and investment promotion in line with the economic development of the country was one major factor behind the need for amendment of the law (supporting the newly established manufacturing and mineral units according to Article 132 and investment promotion according to article 138).

#### TAXABLE REAL AND LEGAL ENTITIES ACCORDING TO DIRECT TAXATION LAW

- All owners, whether real or legal, for their properties inside Iran according to the taxation rules under Chapter 2 of the Direct Taxation Law
- Any real person residing in Iran for the incomes earned inside and outside the country
- Any Iranian real person residing abroad for all the income he makes in Iran
- Any Iranian legal entity for the incomes earned inside or outside the country
- Any non-Iranian real or legal entities for the income earned in Iran and also for the income gained through delegation of authority, dealership, technical and educational assistance or movie contracts (for any sort of income earned as rental, right of display and the like) in the territory of the Islamic Republic of Iran

#### TYPES OF TAXES IN DIRECT TAXATION LAW

##### **Property Tax:**

- Inheritance tax
- Stamp duty (It is a type of tax levied on some documents such as checks, bills of exchange, promissory notes, negotiable instruments, stocks and shares, according to Articles 44 through 51 of Direct Taxation Law.)

##### **Income tax:**

- Property income tax
- Agricultural income tax
- Salary income tax
- Self-employment tax (the type of income a person earns in Iran through self-employment)
- Corporate income tax (special for legal entities)

Since manufacturing units and economic enterprises are usually active as legal entities, we will hereunder focus on rules and regulations for taxation of legal entities income and their exemptions.

### Legal Entity Income Tax

The aggregate income of companies, and the income from the profit-making activities of other juridical persons, derived from different sources in Iran or abroad, less the losses resulting from non-exempt sources and minus the prescribed exemptions, shall be taxed at the flat rate of 25%, except the cases for which separate rates are provided under the present Direct Taxation Law. Persons, whether legal or real, will not be taxable for the stocks or the dividends of their shares in other capital corporations.

The Direct Taxation Law and other pertinent legislations have considered certain exemptions for the legal entities as the following:

Factory owners and legal entities are obligated to, even within the exemption period, submit declaration and profit and loss balance sheets, provided from their official statutory books, maximum four months after their tax year (March through February in Iran) along with the list of partners and shareholders and their shares and addresses to the tax department within the area of the activity of the legal entity (Article 110). If these legal entities do not submit the documents within the stipulated time span, the tax exemption will be null and void (Article 193).

### Tax exemptions

Activity	Level of Exemption	Duration of Exemption
Agriculture	100%	Perpetual
Industry and Mining	80%	4 Years
Industry and Mining in Less-Developed Areas	100%	20 Years
Tourism	50%	Perpetual
Export of services & non-oil goods	100%	During 5th development Plan
Handicraft	100%	Perpetual
Educational & sport services	100%	Perpetual
Cultural activities	100%	Perpetual
Salary in Less-Developed Areas	50%	Perpetual
All Economic Activities in Free Zones	100%	20 Years

#### *Tax Exemptions Stipulated in the Law on Fifth Five-Year Development Plan*

In order to:

Facilitate and promote industrial and mineral investment in the country

The Law on Fifth Five-Year Development Plan has stipulated the following tax exemptions:  
Article 159 – A: 15 per cent increase in tax exemption relevant to Article 138 of Direct Taxation Law



Article 159 – B: Increasing tax exemption period of industrial and mineral units in the less developed regions to the same level as the exemption of free trade-industrial zones (from 10 years to 20 years)

Article 104: Levying any tax and tolls on non-oil exports and services during the Fifth Development Plan (except raw materials or commodities with low value-added)

#### VALUE-ADDED TAX ACT (VATA) IN IRAN

The Value-Added Tax Act (VATA) was ratified by the Parliament in 2007. The new value added law was approved on June 2, 2021 and its implementation time is six months after notification

Value-added tax (VAT) in Iran is levied on the sale of all goods and services and their imports, except 17 items listed in Article 12 of VATA as the exempted ones. VATA, however, does not include the export of goods and services through official Customs gates. Therefore, the taxes paid for the export of goods and services will be refundable by submitting the Customs clearance sheets (for goods) and valid documents (Article 13).

To reduce the country's dependency on oil incomes, the Law on Fifth Five-Year Development Plan has anticipated an annual one-percent increase in the VAT rate.

Currently, the VAT rate stands at 10%.

Since 2021, industrial free trade zones similar to the mainland are subject to VAT.

#### AGREEMENTS TO AVOID DOUBLE TAXATION

To facilitate cooperation between Iranian nationals and foreign nationals and to boost trade and economic exchanges with foreign countries, the government of the Islamic Republic of Iran has signed mutual agreements to avoid double taxation:

List of Countries Signing the Agreement to Avoid Double Taxation with Iran (November 2011)

Azerbaijan Republic	Algiers	Turkmenistan	France
South Africa	Indonesia	Turkey	Kyrgyzstan
Germany	Ukraine	Tunisia	Kazakhstan
Austria	Bahrain	China	Qatar
Jordan	Belorussia	Russia	Georgia
Armenia	Bulgaria	Sri Lanka	Lebanon
Uzbekistan	Venezuela	Switzerland	Poland
Spain	Pakistan	Syria	Kuwait

Three other types of property taxes (annual real estate tax, vacant real estate tax, tax on barren land) have been deleted from the Direct Taxation Law amendment in 2001.

Financial year in Iran starts in March through February next year. For the companies with different tax year, the financial year is taken into account.

## 7 – ACCOUNTING & REPORTING

Accounting in Iran was formed simultaneously with formation of the first civilizations, and evidences point to advancement of the science of accounting in Iran. Accounting has had a revolutionary, as well as evolutionary advancement in response to financial requirements of times. Surveying of properties during Sassanid period, and the notational system of keeping records of income & expenditures of the government during Seljukid period, in which the income & expenditures of each state was recorded in a particular book, is an obvious example of existence of an advanced accounting science.

### AUDIT ORGANIZATION

The Audit Organization is one of the affiliated organizations of the Ministry of Economic Affairs and Finance of Iran, established in 1983 under the Law on the Establishment of an Audit Organization. The organization serves as the largest Iranian audit institution (government) to provide specialized financial services to government and government-controlled sectors. This Organization has set accounting and auditing standards which are similar to standards set by International Accounting Standards Board (IASB).

### IRANIAN ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

Founded in 1887, IACPA is the national professional organization of Certified Public Accountants (CPAs) in Iran which regulates and promotes accounting and auditing profession in the country and monitors the work of accounting and audit firms.

Certified accounting and audit firms in Iran are comprised of at least three certified accounting partners and are based on the rules of IACPA.

IACPA supervises and monitors audit firms annually in terms of audit quality and categorizes them into four groups and publishes them on their official website ([www.iacpa.ir](http://www.iacpa.ir)).

All banks, financial and credit institutions, public corporations and companies with an annual income of 50,000,000,000 Rials or a total of 8 billion Rials properties and assets are subject to audit by certified audit firms which are the member of IACPA.

### IFRS IN IRAN

Extent of IFRS application	Status	Additional Information
IFRS Standards are required for domestic public companies	✓	All listed companies, banks, insurance companies, and other financial institutions are required to use IFRS Standards.
IFRS Standards are permitted but not required for domestic public companies		
IFRS Standards are required or permitted for listings by foreign companies		Currently there are no foreign companies whose securities trade on the Tehran Stock Exchange.
The IFRS for SMEs Standard is required or permitted		No. Currently, all SMEs are required to use Iranian National Accounting Standards.
The IFRS for SMEs Standard is under consideration	✓	Yes.

All business organizations or enterprises are required to obtain books of original entry from Company Registration Office and must file all financial events for one year and within 4 months after the balance sheet date summarize the operation of their financial year by completing the tax return and submit it to the Tax Organization.

## 8 – UHY REPRESENTATION IN IRAN

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# HADI HESAB TEHRAN IRAN

## CONTACT DETAILS

Hadi Hesab Tehran  
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www.uhy-ir.com

Year established: 2003  
Number of partners: 6  
Total staff: 56

## CONTACTS

Liaison contact:	Hamid Keyhani
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Email:	keyhani@hadihesab.com
Liaison contact:	Hossein Mousavi
Position:	Director of Communications
Email:	mousavi@hadihesab.com

## BRIEF DESCRIPTION OF FIRM

Located in Tehran, Hadi Hesab Tehran was founded in 2003 under reference number 15010 of the Companies Registration Office. We are a member of Iranian Association of Certified Public Accountants (IACPA). This firm has achieved grade "A" status from IACPA which represents the highest grade in quality control assessment.

Delivering professional services to organizations, public sector agencies, business corporations and individuals is something we have done for fourteen years. The firm has grown and evolved to offer a wide range of services in audit, consulting, financial advisory, tax and related services. We seek to meet the needs of our clients and their business interests.

Hadi Hesab is honored to be recognized as a / an:

- Trusted audit firm of IACPA
- Trusted audit firm of Securities and Exchange Organization ( SEO )
- Elected firm of Central bank of the Islamic Republic of Iran.
- Elected firm of Central Insurance of Iran

## SERVICE AREAS

Audit and Assurance  
Accounting and outsourcing  
Tax consultancy  
VAT planning  
Legal  
Consulting  
Business valuation

## PRINCIPAL OPERATING SECTORS

Telecommunication  
Shipping lines  
Car Manufacturing Industry  
Education (higher education, medical schools and universities)  
Construction  
Banking and financial institutes  
Engineering  
Health care



The network  
for doing  
business

# HADI HESAB TEHRAN IRAN

Hotels  
Steel and Mining

## LANGUAGES

Persian, Azeri, Turkish and English

## CURRENT PRINCIPAL CLIENTS

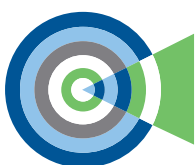
1. MTN-Iran cell
2. Mobile Telecommunication of Iran
3. Iran Khodro Automaker Company
4. I.R.I. Shipping lines
5. Almahdi Aluminum Company
6. Bank Maskan
7. Iran National Copper Industry Company
8. Persian Gulf Petrochemical Industries Company
9. Shahid Ghandi Communication Cable Company
10. Iran Glass Wool Company

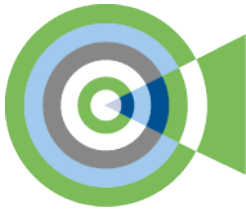
## OTHER COUNTRIES IN UHY CURRENTLY WORKING WITH, OR HAVE WORKED WITH IN THE PAST

France Germany Belgium Austria Croatia United Arab Emirates South Africa

## BRIEF HISTORY OF FIRM

Hadi Hesab Tehran joined UHY in 2019. It is an Iranian firm that delivers services in audit, tax, accounting, internal audit, consulting, financial advisory, legal, and other related services. It delivers professional services to organizations, public sector agencies, business corporations and individuals.





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