

Tax exemptions

Tax exemptions		
Type	National / provincial	Explanation of Investment incentives
Tax	National	Article 132 of the Law on Direct Taxes – Income from production and mining activities of nongovernmental legal entities in production or mining units for which an exploitation license or extraction and sale contract concluded by the relevant ministries from the date of implementation of this article, as well as hospital service, hotels and tourist accommodation centers of the mentioned persons for whom the exploitation license is issued by the relevant legal authorities from the mentioned date are taxed zero amount from the date of commencement of exploitation or extraction or activity for five years and in less developed areas, this period is ten years .
	National	Paragraph (a) of Article 132 of the Law on Direct Taxes – Zero rate tax is a method in which taxpayers are required to submit tax returns, legal books, accounting documents for their income in the order specified in this law and within the deadlines specified in the tax affairs organization and the mentioned organization is obliged to review the taxpayers tax return and determine their taxable income based on the mentioned documents and declarations and after determining the taxpayers taxable income, their tax is calculated at zero rate .
	National	Paragraph (b) of Article 132 of the Law on Direct Taxes – Zero rate tax is applied for production and service units and other centers subject to this article that have more than fifty employees, if during

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		the exemption period, each year compared to the previous year, the minimum workforce fifty percent (50%) increase, one year is added for each year of staff increase. The number of employed labor force as well as the increase in labor force employment in each unit is obtained with the approval of the Ministry of Cooperatives, Labor and Social Welfare and the submission of documents related to the list of employees social security insurance. In case of reduction of labor force from the mentioned minimum in the next year who have used the tax incentives of this paragraph, the tax belonging to the year of reduction will be demanded and collected. People who retire, redeem and resign are not considered in this reduction.
	National	Paragraph (c) of Article 132 of the Law on Direct Taxes – the period of zero tax calculation for the mentioned economic units of the subject of this article located in industrial estates or special economic zones is considered two years and in case of establishment of industrial estates or special economic zones in less developed areas, it is increased for three years.
	National	Paragraph (d) of Article 132 of the Law on Direct Taxes – the condition for benefitting from any tax exemption for real and legal entities operating in the free zones and other regions of the country is the submission of a tax return in due time. The tax return of legal entities includes the balance sheet and profit and loss account according to the sample prepared by the Tax Affairs Organization.
	National	Paragraph (e) of Article 132 of the Law on Direct Taxes – In order to encourage and increase economic investment in the units subject to this Article, in addition to the period of protection through zero

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		<p>tax rate, investment in less developed areas and other areas shall be supported as follows :</p> <p>1- In less developed areas</p> <p>Taxes for the years following the tax calculation period at the rate of zero mentioned at the beginning of this Article shall be calculated at the rate of zero until the total taxable income reaches twice the registered and paid-in capital and then the tax at the rates specified in Article (105), this law and its notes are considered.</p> <p>2- In other areas</p> <p>Fifty percent (50%) of the tax for the years following the tax calculation period at the beginning of this Article shall be calculated and received at the rate of zero and the remaining fifty percent (50%) at the rates specified in Article 105 of the Law on Direct Taxes and its notes. This condition continues until the total taxable income is equal to the registered and paid capital, and after that, one hundred percent (100%) of the tax related to the rates prescribed in Article (105) of this law and its notes are calculated and received.</p> <p>Transportation income of non-governmental legal entities is covered by the tax incentives referred to in sub-paragraphs (1) and (2) of this paragraph.</p> <p>Non-governmental legal entities subject to this Article established before this amendment may use the incentives provided for in this Article in case of reinvestment.</p> <p>Any investment made with the permission of the relevant legal authorities for the establishment, development, reconstruction and</p>

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		renovation of the mentioned units to create fixed assets other than land is subject to the provisions of this paragraph .
	National	Paragraph (c) of Article 132 of the Law on Direct Taxes – Exception of the land mentioned at the end of paragraph (d) is not applied regarding the investment of non-governmental legal entities in transport units, hospitals, hotels and tourist accommodation centers only to the extent specified in legal permits issued by competent authorities .
	National	Article 132 (c) of the Law on Direct Taxes – In case of reduction of the amount of registered and paid-in capital of the mentioned persons who have used the tax incentives of this article to increase the capital, the relevant tax and its fines will be demanded and collected .
	National	Paragraph (g) of Article 132 of the Law on Direct Taxes – If the investment subject to this Article is made with the participation of foreign investors with the permission of the Investment and Economic and Technical Assistance Organization of Iran, for every five percent (5%) of foreign investment participation at the rate of ten percent (10%) is registered and paid in proportion to the capital according to the incentive of this article and up to a maximum of fifty percent (50%) is added .
	National	Article 132 of the Law on Direct Taxes – Foreign companies that use the capacity of domestic production units in Iran to produce products with a valid mark, if they export at least twenty percent (20%) of the products from the date of concluding the cooperation agreement with the Iranian production unit in the tax calculation

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		period at the rate of zero of the mentioned production unit, is subject to this article and in case of the mentioned period, they are benefitted from fifty percent (50%) discount in the tax rate to the declared income from the sale of manufactured products in the mentioned period.
	National	Article 132 of the Law on Direct Taxes – Foreign companies that use the capacity of domestic production units in Iran to produce products with a valid mark, if they export at least twenty percent (20%) of the products from the date of concluding the cooperation agreement with the Iranian production unit, they have zero tax calculation in the mentioned production unit subject to this article and in case of the mentioned period, they shall enjoy from fifty percent (50%) discount in the tax rate of the mentioned income from the sale of manufactured products in the mentioned period.
	National	Paragraph (j) of Article 132 of the Law on Direct Taxes – Zero tax rate and incentives subject to this article, including the income of production and mining units located within one hundred and twenty kilometers from the center of Tehran and fifty kilometers from the center of Isfahan and thirty kilometers from other provinces and cities with more than three hundred thousands of people will not be housed according to the latest census. IT production units with the approval of the relevant ministries and the Vice President for Science and Technology in any case shall benefitted from the privilege of this article. Also, the tax on production and mining units located in all special economic zones and industrial towns, except for special economic zones and towns located within one hundred

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		and twenty kilometers from the center of Tehran province is calculated at zero rate and benefitted from tax incentives subject to this article. In the case of special economic zones and industrial towns or production units located within two or more provinces or cities, the criterion for determining the boundary shall be in accordance with regulations that must be submitted no later than three months after the adoption of this law by a joint proposal of the Ministries of Industry, Mines and Trade, Economic and Finance and the Management and Planning Organization and the Environmental Protection Organization.
	National	Article 132 of the Law on Direct Taxes – List of less developed areas including provinces, cities, districts and rural areas is provided in the first quarter of each five-year plan, by the Management and Planning Organization in cooperation with the Ministry of Economic Affairs and Finance in terms of unemployment rate and investment indicators and it is prepared and approved by the ministers and until the new list is announced, the previous list will be valid. Date of commencement of activity with the approval of the relevant legal authorities, credit areas is announced for taking into account incentives for less developed areas.
	National	Paragraph (1) of Article 132 of the Law on Direct Taxes – All Iran tourism and tourism facilities that have obtained an operating license from the relevant legal authorities before the implementation of this Article are exempted from tax for a period of six years after the effective date of this Article from the payment of fifty percent

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		(50%) income tax. This provision does not apply to the income from sending a tourist abroad.
	National	Paragraph (m) of Article 132 of the Law on Direct Taxes – One hundred percent (100%) of the declared income of tourism and pilgrimage offices licensed by the relevant legal authorities, which is obtained from attracting foreign tourists or sending pilgrims to Saudi Arabia, Iraq and Syria is taxed in zero tax rate.
	National	Paragraph (n) of Article 132 of the Law on Direct Taxes – Zero rate tax, the subject of this law, only includes declared income, except for undisclosed income. This ruling applies to all zero-rate tax provisions in this law and other applicable laws.
	National	Article 132 of the Law on Direct Taxes – Equivalent to research and development costs of private and cooperative legal entities in production and industrial units licensed by the relevant ministries in the form of contracts with universities or research centers and higher education with a final license from the Ministries of Science, Research and technology and health, treatment and medical education performed within the framework of the comprehensive scientific map of the country is considered provided that the annual progress report is approved by the research council of universities or relevant research centers and gross income from their production and mining activities should not be less than five milliard (5,000,000,000) Rials and a maximum of ten percent (10%) of the tax on the year of the mentioned expense will be exempted. The equivalent of the amount credited to the tax account of the mentioned persons will not be accepted as tax eligible expense. The

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		executive instructions of this section shall be approved by the Ministers of Economic Affairs and Finance, Industry, Mining and Trade, Science, Research and Technology, and Health, Treatment and Medical Education upon the proposal of the Tax Affairs Organization.
	National	<p>Note 1 Article 132 of the Law on Direct Taxes – All tax exemptions and calculation at zero tax rate in excess of the existing laws mentioned in this article will be implemented from the beginning of 2016.</p> <p>Note 2: Article 132 of the Law on Direct Taxes – The executive by-law of this article and its clauses shall be prepared by the Ministries of Economic Affairs, Finance, Industry, Mines and Trade in cooperation with the Tax Affairs Organization and approved by the Board of Ministers within six months after the law is notified.</p>
Free Zone	National	Article 13 of the Law on the Administration of Free Trade-Industrial Zones of the Islamic Republic of Iran – Real and legal entities are engaged in various economic activities in the region, regarding to economic activity in the free zone from the date of operation specified in the license for twenty years. Payment of income tax and assets subject to the law of direct taxes will be exempt and after the expiration of twenty years will be subject to tax regulations that will be approved by the Islamic Consultative Assembly upon the proposal of the Cabinet.
Knowledge-Based	National	Paragraph (a) of Article 5 of the Law on the Protection of Knowledge-Based Companies and Institutions and the Commercialization of Innovation – Exemption from taxes, duties,

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		customs duties, commercial profits and export duties for fifteen years.
		Article 9 of the Law on the Protection of Knowledge- Based Companies and Institutions and the Commercialization of Innovation – In order to establish and develop knowledge-based companies and institutions and to strengthen international cooperation, research, technology and engineering units located in science and technology parks are allowed to carry out assigned missions shall be benefitted from legal benefits of free zones in terms of labor relations, tax exemptions and levies on foreign investment, and international financial transactions.