

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 Permit for foreign investors, directors, experts as well as their immediate family members

Risks covered under FIPPA

- Expropriation and nationalization
- Unlimited transfer of capital and dividend
- Guarantee of the purchase of the goods and services resulting from investment projects in BOT investment schemes where the government acts as the sole purchaser.

Tax Exemption

1. Agricultural

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

2. Salary Income Exemption

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

3. Sport, Services and Education Activities Exemption

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

respective authorities.

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

4. Cultural Activities Exemption

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

5. Cooperative Exemption

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

6. Export Exemption

- 100 % of Income Derived From Export of Services ,non-oil goods, agricultural Products and 20% of Income Derived from Export of Non – Processed goods
- 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.

7. 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.

8. Production Activities Exemption

Income Tax with Rate of 0.0%	Duration of Exemption
Industry, Mining & Services (Hospital & Hotels)	5 Years
Industry, Mining & Services (Hospital & Hotels) in Industrial Parks and Economic Especial Zones	7 Years
Industry, Mining & Services (Hospital & Hotels) in Less Developed Areas	10 Years
Industry, Mining & Services (Hospital & Hotels) in Less Developed Areas located at Industrial Parks and Economic Especial Zones	13 Years
100% of Income Derived Agricultural Activities	Perpetual
100% of Income Derived From Export of Services ,non-oil goods, agricultural Products and 20% of Income Derived from Export of Non – Processed goods	Perpetual

In companies with more than 50 employees, in case of increasing the employment volume up to 50% in comparison to last year, one-year exemption can be added to the duration of exemptions (mentioned in the table).

In the case that foreign companies with reliable Brand produce goods using production capacity of Iranian companies and export at least 20% of total production, can enjoy 50% on Tax Rate for the income from sales of products (12.5% instead of 25%) after the end of above duration.

Customs Exemption

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

Investment Facilities and Incentives in Free and Industrial Zones

- A 20 year tax exemption for any economic activity

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

Other Incentives and Benefits of Investment in Iran

- Unique geographical situation as the junction of the Middle East, Europe and Asia
- Huge domestic market in population about 80 million and quick access to the markets of the neighboring countries with more than 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.

For more information please contact us:

www.investin-ea.ir
info@investin-ea.ir

Tel: +98 41 3526 22 37 - 8
 Fax: +98 41 3526 50 53



East Azarbaijan
 Economic Affairs & Finance
 General Directorate
Investment Service Center

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 FOREIGN INVESTMENT IN IRAN**

**EAST AZARBAIJAN INVESTMENT
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