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Investing in RE projects in Iran

Foreign Investment Law and Incentives

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1. Why Invest in Iran?



- **Nominal Capacity of Power Plants** between April 2014 to March 2015 was **72 GW** with **4.1% increase** compared to the preceding year.
- **Gross electricity generation** was **276 billion KWh** between April 2014 to March 2015 and had a **5.3% increase** compared to the preceding year.
- Developed Infrastructure in **Transportation, Telecommunications & Energy**
- **Trained** and Efficient Manpower at a **Competitive Cost**
- **Wind energy** potential is **18000 MW**
- An average of **5.5 KWh** per square meter solar **radiation** and **300 sunny days** per year on 90% of the land



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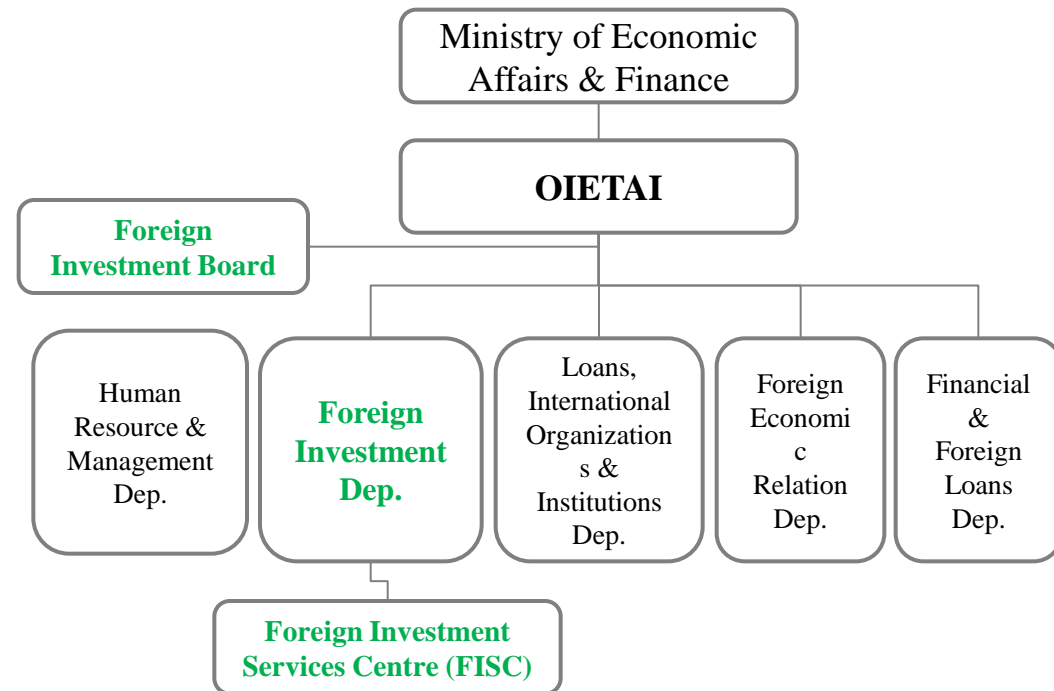


2. Organization for Investment and Technical Assistance of Iran (OIETAI)



OIETAI

- Founded in June 1975
- The main official authority to promote and protection of Foreign Investment
- Investigation of all issues related to foreign investment such as:
 - Admission
 - Importation
 - Utilization
 - Repatriation





Foreign Investment Services Center (FISC)

Facilitate Admission Procedure and relevant activities of FDI

Facilitate Official procedures for required permissions and licenses

Coordination for entry visa, residence and employment permits

Coordination with Executive Agencies Related to Foreign

Investment
Coordination in registration of JV company, import machinery and equipment, repatriation of capital, customs and tax affairs ,etc.

services are not limited to prior-investment stages; foreign investors may, at any time and any stage ever after, refer to FISC and benefit from its services.



FISC Members from Relevant Executing Agencies





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3. Foreign Investment Promotion and Protection Act (FIPPA)



The Legislation

- The Foreign Investment Promotion and Protection Act (FIPPA):
 - Substitutes Former LAPFI
 - Ratified in 2002
- The Corpus:
 - Implementing Regulations of the FIPPA



FIPPA: Types of Investments

1. Direct Investment

(Equity Participation) in All Areas Open to Iranian Private Sector

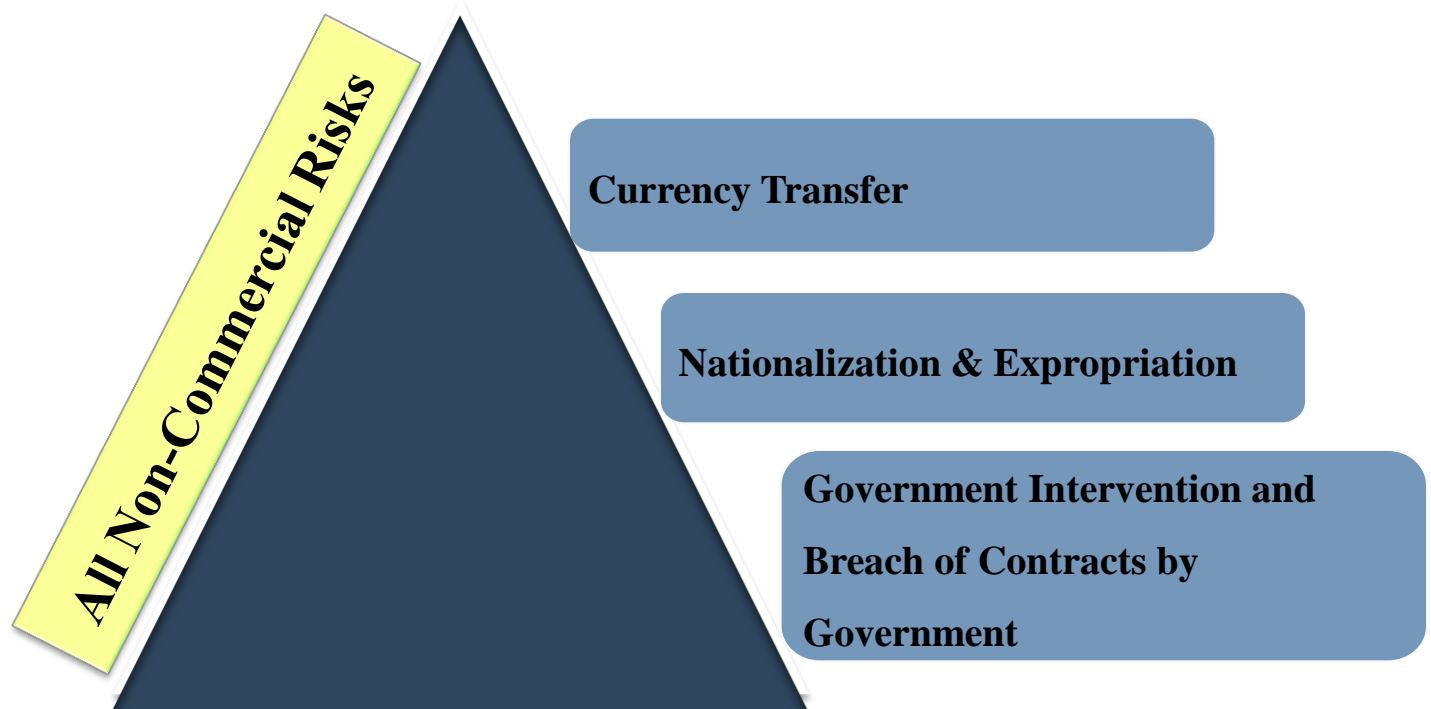
2. Investment through Contractual Arrangements

(Non-Equity Forms):

- Buy Back Arrangements
- Civil Partnership (an Islamic business contract)
- BOT Schemes



Risks Covered By FIPPA





Some Other Features of FIPPA

- **No Limit on**

Equity Percentage

Volume of Investments

Import of Foreign Capital,
being cash or non-cash(any
kind)

Capital Repatriation

Types of Capital Imported

- **Article 35 Services**

3 years Multi-entry Visa

3 years Residence Permit

Work Permit

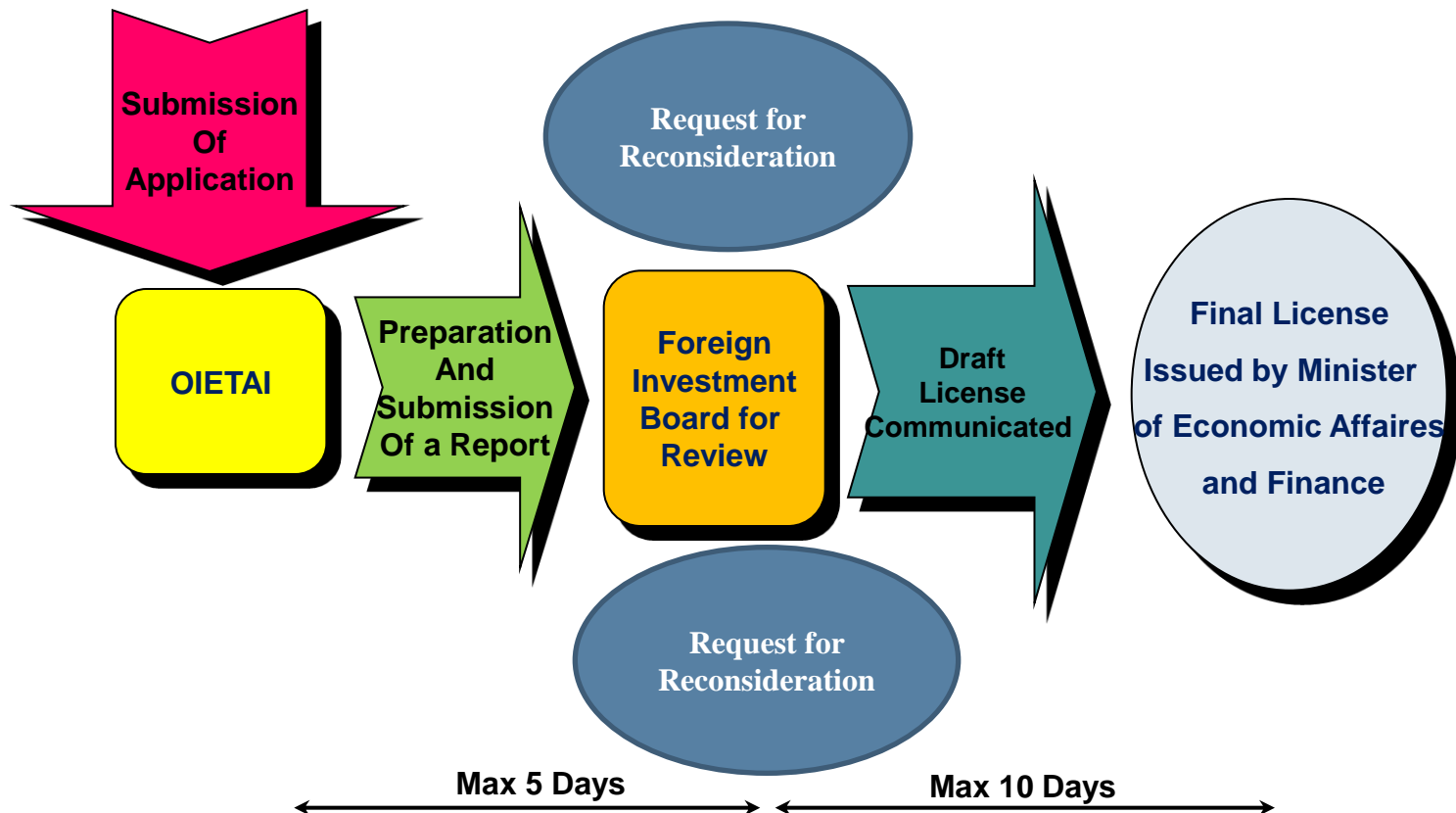


General Condition for Admission for Foreign Capital

- Bring about Economic Growth, Upgrade Technology, enhance the Quality of Product, increase Employment and Export
- Investigation and decision making on applications is done by Foreign Investment Board under the chairmanship of Vice Minister of Economic Affairs & Finance
- Assignment of whole or a part of the foreign Capital to a local and/or to another Foreign Investor is Permitted
- Foreign Capital may be imported by way of one of combination of the followings:
 - Cash Fund to be converted into Rials
 - Cash Funds not to be converted for the purpose of Purchases
 - Non Cash Items



Investment Licensing Procedure





Required Documents for Foreign Investment License

1. Application Form
2. Establishment License / Primary Agreement / Preliminary agreement of the pertinent Iranian organization
3. Official letter of the foreign investor to submit to the OIETAI
4. The Foreign Investors background including a brief history of the company , activities (In case of foreign investor is a natural person , a photocopy of passport and resume will be provided.)
5. A list of machinery, equipment and CKD part which may be imported into the country as a part of the foreign investors capital
6. For technical know –how, a draft of the contract outlining the conditions of the transfer of technology.



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4. Iranian Taxation System



Taxable Real and Legal Entities According to Direct Taxation Law

- All real or legal owners, for their properties inside Iran
- 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 Iran



Types of Taxes in Direct Taxation Law

a) Property Tax:

- Inheritance tax
- Stamp duty

b) 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)



Highlights of Tax Holidays

- Fixed corporate income tax at a flat rate of 25%

Activity	Level of Exemption	Duration of Exemption
Industry & Mining	80%	4 Years
Industry & Mining in less Developed Areas	100%	20 Years
Agriculture	100%	Perpetual
Tourism	50%	Perpetual
Export of Services & non-oil goods	100%	During 5 th development Plan
Salary in Less Developed Area	50%	Perpetual
Profit used to Development of Existing Unites or Setting up New Unites	50 %	Perpetual



New Tax Incentives enforceable from March 2016 (in the law on 6th five-year development plan)

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

- 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 above duration.
- 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.



New Tax Incentives enforceable from March 2016

- For all activities of Industry ,Mining & Services (Hospital & Hotels), while their total Taxable income amount to the registered Capital, 50% of income is free of tax.
 - In case of each 5% foreign investment, 10% will be added to above incentive, maximum up to 50% (It means for each 5% FDI, while the total taxable income amount to 1.1 of registered capital, 50% of income is free of tax. For 25% FDI and more, maximum up to double of registered capital).
- For all activities of Industry ,Mining & Services (Hospital & Hotels) in less developed areas, while their total Taxable income amount to the double of registered Capital, 100% of income is free of tax.
 - In case of each 5% foreign investment, 10% will be added to above incentive, maximum up to 50% (It means for each 5% FDI, while the total taxable income amount to 2.2 of registered capital, 100% of income is free of tax. For 25% FDI and more, maximum up to triple of registered capital).



Value-Added Tax Act (VATA) in Iran

- Currently, the VAT rate stands at **9%**
- Economic activities in free trade and industrial zones are **exempted from** value-added tax.



Custom Exemption for Foreign Investors

Production Line
Machineries and
Equipment (First-Hand
Machineries)

Raw Materials used for
Production of Export
commodities



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5. International Treaties



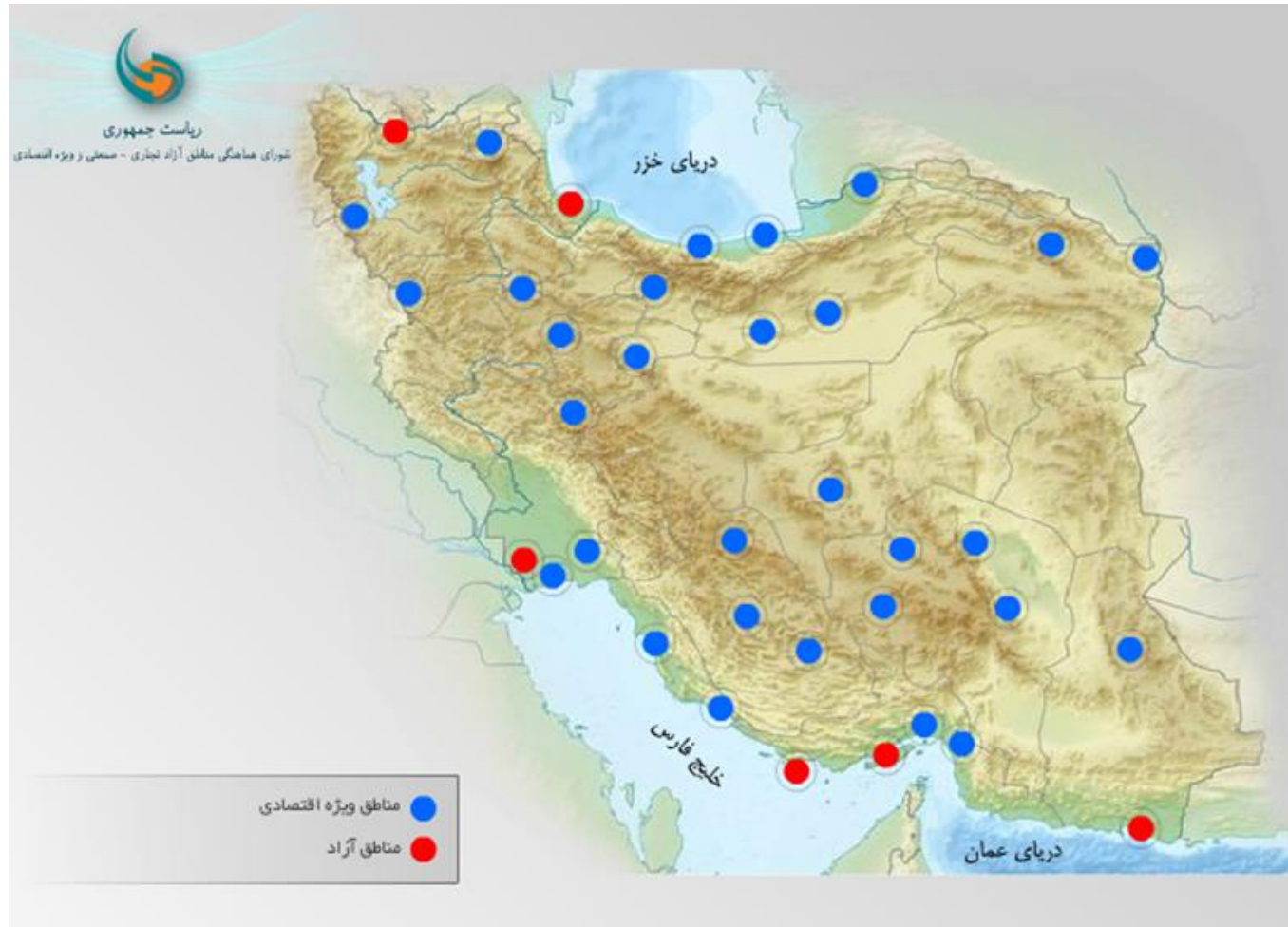
- **Bilateral Investment Treaties (BIT)**
 - BIT with 62 Countries
 - Promote & Protect Investments of the Iranian & German Investors in each others' territory
- **Double Taxation Treaty (DTT)**
 - Avoidance Double Taxation



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6. Free Zones & Special Economic Zones of Iran





Investment Incentives in Free Zones

- 7 free Zones in Iran:
 - 2 in North-West (Aras, Makou)
 - 1 in North (Anzali)
 - 3 in South (Kish, Geshm, Chabahar)
 - 1 in South-East (Arvand)
- 20 Years Tax Exemption for All Economic Activities
- No needed Visa for Entrance of Foreigners
- Custom Exemption for Raw materials and Industrial machineries of Producing units
- Possibility of Exporting Products to The Mainland
- Easy Circumstances for Re-export and Transit of Commodities



Investment Incentives in Special Economic Zones

- 14 Economic Zones in Iran:

Mostly common regulations:

- Transit and export of goods through governing by special economic zones
- Duties exemption for all Manufacturing and Industrial Investments
- Exemption from any customs duties and tariff for importing raw materials, machinery and spare parts
- Banking regulations at zone conform to international standard.
- Banking transactions with the main land shall be in either Rial or foreign currency of choice and overseas transactions will be in the respected foreign currency.
- Foreign currencies shall not be controlled and the exchange of Rial to any foreign currency is permitted.



Any Question?

To find out more about „Invest in Iran“,
please visit the website:

<http://www.investiniran.ir/en>



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