



Ministry of Economic Affairs and Finance
Iranian National Tax Administration

Value Added Tax Act

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Table of contents:

Chapter 1: Generalities and definitions

Article 1- Taxable base

Article 2- What does "tax" refer to in this Act

Article 3- Definition of Value Added Tax (VAT)

Article 4- What does "supply" refer to in this Act

Note – About the meaning of "self-supply" in this Act and its taxability

Article 5- What does "providing services" mean in this Act

Article 6- Definition of Importation

Article 7- Definition of exportation

Article 8- Definition of taxpayer

Article 9- Meaning of exchange of goods and services in this Act

Article 10- Tax periods

Article 11- Tax incidence date

Chapter 2: Exemptions

Article 12- Goods and services exempted from VAT

Article 13- goods and services exportation refund

Note- Refunds for goods

Chapter 3: Base, rates and manner of computation of tax

Article 14- Tax computation base

Article 15- Tax computation base for Importation

Article 16- VAT rate

Article 17- Orders for offsetting output tax with input tax

Note 1- refunds or offset of excess payments

Note 2- Non-refundability of taxes [paid for] exempt goods and services

Note 3- Simultaneous supply of tax included and exempted goods and services

Note 4- Tax credit of special goods

Note 5- Nonrefundable paid tax as acceptable expenses

Note 6- Compensation for delay in refund

Note 7- Refunds of taxed and excises paid by municipalities

Chapter 4: Duties and obligations of taxpayers

Article 18- Taxpayer registration

Article 19- Requirement and guidelines for issuing invoice

Article 20- Collection of tax by taxpayers

Note 1- Customs' duties concerning [Tax] collection

Note 2- Method of collection of tax on importation of services

Article 21- Method and deadline for submission of tax return and payment

Article 22- Fraud and non-compliance penalties

Article 23- Delay penalties

Chapter 5: Value Added Tax Organization, duties and powers

Article 24- Organization structure

Note- Employing necessary human resources

Article 25- Positions and job descriptions

Article 26- Obligation to provide books [of accounts] and documents and ex-officio assessment

Article 27- Preparation of audit report by chartered accountants

Note 1- Acceptance of chartered accountants' audit report

Note 2- Outsourcing audit to chartered accountants by INTA

Article 28- Establishment of the Society of the Official Tax Advisors (SOTA)

Article 29- Deadline for tax appeals and method of settling tax disputes

Article 30- Obligations of banks and credit institutes to provide INTA with required information

Article 31- Method of cooperation of municipalities with INTA

Article 32- Method of examination of tax officials'

Article 33- Articles of Direct Taxes Act applicable to VAT

Chapter 6: Other Regulations

Article 34- Obligation to keep documents and records for ten years after the fiscal year of origin (Issuance)

Article 35- Preparing a five year plan for [promotion of] tax culture

Article 36- Aggregation of INTA's budget

Article 37- Educating taxpayers, incentives and awards

Chapter 7: Goods and Services Tax

Article 38- Municipal taxation rates

Note 1- Contaminating production units' excise

Note 2- Refund of excises to units expending on improving personnel skills and health

Note 3- 0.5 percent of excises to be allocated to development and establishment of training units

Article 39- Method of deposit of money to relating accounts

Article 40- Excises subject of chapter 7 are liable to VAT Act

Chapter 8: Importation Duties

Article 41- Customs' duties

Chapter 9: Other Taxes and special Excises

Article 42- Car Transfer Tax (CTT)

Note 1- Obligations of offices of notary public when executing car title deeds

Note 2- Execution of attorney by offices of notary public

Note 3- Offices of notary public's' penalties

Note 4 – Annulment of title deeds

Note 5- First transfer of car from the company and settlements, donations and grants

Note 6- Value base for computation of tax and excise

Note 7- obligations of constabulary at the time of transfer

Article 43- Tax and excise of specified services

Article 44- Receiving fees for extending or altering cards and permits
Article 45- Fees collected from passengers going abroad
Article 46- Tax and special excises pay-in method
Article 47- Specific duties
Clause 1- Passenger intercity transportation duties
Clause 2- Yearly car tax
Note 1- Numeration tax of imported cars
Note 2- Obligations of constabulary as regards tax and excise payment receipt
Article 48- Passenger tax for internal flights
Article 49- Guidelines on operating orders of chapter 9
Article 50- Interdiction of collection of tax and excises by other Organizations
Note 1- Imposition of new excises (on goods and services other than those mentioned in this Act)
Note 2- Adjusting repair duties
Note 3- Revocation of discounted tax payment or exemption of village and city municipals
Article 51- Adjustments of Clause Of Article 3 of Aggregated Tax Duties
Article 52- Annulment of other indirect tax and excises and determining exceptions
Note- Expenses, commission and other fees received in return of service or sale
Article 53-Date of implementation of this Act

Appendixes

Appendix 1- Articles 83-89 of Direct Taxes Act
Appendix 2- Articles 147-148 of Direct Taxes Act
Appendix 3- Article 219 of Direct Taxes Act
Appendix 4- Article 244 of Direct Taxes Act
Appendix 5- Articles 263-271 of Direct Taxes Act
Appendix 6- Articles 167, 191, 202, 230-233 & 244-251 of Direct Taxes Act

Chapter 1

Generalities and Definitions

Article 1- Supply of goods and provision of services within Iran as well as Importation and Exportation of the same shall be subject to the stipulations of this Act.

Article 2- The word “Tax” in this Act, except for cases subject of chapters 8 and 9, refers to Value Added Tax (VAT).

Article 3- For the purpose of this Act, value added is the difference between the value of goods and services supplied during a certain period of time and the value of goods and services purchased or acquired in the same period.

Article 4- In this Act, Supply of goods refers to [any] transfer of goods by any form of transaction.

Note: Should the goods subject of this Act and purchased, acquired and/or produced by taxpayer be, for business purposes, recorded into the taxpayer’s books of accounts as business assets and/or or be withdrawn for personal use, it shall be considered as self - supply and be subject to tax.

Article 5- In this Act, the term “provision of services” refers to rendering services to other persons against any considerations (Monetary or non-monetary).

Article 6 - In this Act, the term “Importation” refers to importation of goods or services from abroad and from free trade-Industrial zones or special economic zones into the customs territory of the Islamic Republic of Iran (I.R.I).

Article 7- In this Act, the term “Exportation” refers to exportation of goods or services abroad and to free trade-industrial or special economic zones.

Article 8 - Any person engaged in supply and provision, or importation and Exportation of goods and services shall be considered as [VAT] taxpayer and be subject to the provisions of this Act.

Article 9 - In case of exchange of goods and services subject to this Act, supply of goods or provision of services by any of the parties to the transaction shall be considered as liable to this tax and be taxed separately.

Article 10 - Every solar year (from 21th March each year to 20th March next year) is divided into four 3-month tax periods. In case the activity of a taxpayer begins or ends within the course of a tax period, the duration of his activity within that period shall be considered as a tax period.

The Minister of Economic Affairs and Finance is authorized to reduce the duration of tax periods for any group of taxpayers to one or two months, should the Iranian National Tax Administration (INTA) propose so.

Article 11- The tax incidence time shall be as follows:

A- In case of supply of goods:

1. Date of invoice, date of delivery of goods or date of realization of the transaction of goods, whichever earlier, as the case may be.
2. For cases mentioned in the note to Article (4) of this Act, date of recording the asset in the books of accounts, or date of commencing use, whichever earlier, or the date of withdrawal of the same as the case may be.
3. For transactions subject to Article (9) of this Act, date of exchange.

B- In case of provision of services:

1. Date of invoice, or date of rendering the service, whichever earlier, as the case may be.
2. In case of transactions subject to Article (9) of this Act, Date of exchange.

C- In case of importation and exportation:

In case of Exportation, date of exportation (as concerns refunds) and in case of importation, date of customs clearance of goods, and in case of services date of payment of considerations [Monetary or non-monetary].

Note: In case of employing cashier machines, the incidence date of tax shall be the date on which the transaction is entered in the machine.

Chapter 2 Exemptions

Article 12 - Supply, provision and importation of the following goods and services are exempt from [this] tax, as the case may warrant:

1. Unprocessed Agricultural products.
2. Live stock and live birds, aquatics, honeybees and silkworm.
3. All kinds of fertilizers, pesticides, seeds and seedlings.
4. Flour used in bakery, bread, meat, cube sugar, sugar, rice, grains and soy, milk, cheese, vegetable oil and baby formula.
5. Books, press, note pads, and all kind of Papers used for printing, writing and publishing.
6. Goods donated free of charge to Ministries, government agencies and non-government public institutions upon approval by the Council of Ministers and those donated to Islamic Seminaries upon approval by the recipient Seminary.
7. Goods imported into the country by passengers as for personal use, up to the amount of exemptions provisioned under export and import regulations. Any excess amount shall be liable to tax under the provisions of this Act.
8. Immoveable properties.
9. All kinds of medicine, medicinal effects, medical services (For human, animals or plants), and rehabilitation and supportive services.
10. Services subject to Wage and Salary Income Tax as specified in Direct Taxes Act¹.
11. Bank and credit services rendered by banks, authorized credit institutes and cooperatives and Interest-Free Funds and Cooperation Fund.
12. Inter-city and intra-city public passenger transportation services on road, railroad or by air, or sea.
13. Handmade carpets.
14. Research and training services according to the provisions of a bylaw to be approved by the Council of Ministers within six month after the approval of this Act, upon joint proposal from the Ministry of Science, Research and Technology, Ministry of Health, Treatment and Medical Education, Ministry of Education, and Ministry of Labor and Social Affairs.
15. Livestock, cattle and poultry feed.
16. Radar and auxiliary airway controls for airports according to the listing to be approved by the Council of Ministers within six months after the approval of this

¹ See appendix (1)

Act, upon joint proposal from Ministry of Roads and Transportation and Ministry of Economic Affairs and Finance.

17. Goods used exclusively for defense (Martial and disciplinary) and security purposes, according to the listing to be prepared and proposed jointly by the Ministry of Defense, Countenance to Armed Forces, and Ministry of Economic Affairs and Finance, and approved by the Council of Ministers. The above-mentioned listing will be applicable from the first tax period after approval by the Council of Ministers.

Article 13 - Exportation of goods and services abroad, via formal departure gates shall not be liable to the tax subject of this Act and taxes paid on such terms shall be refunded upon providing bill of export issued by the customs (as regards goods) and proving documents and certificates.

Note: Taxes paid on goods by passengers with foreign citizenships at the time of departure from the Islamic Republic of Iran, shall be refunded using related current collected revenues, upon providing proving documents and if purchasing date does not go back to more than two month before the date of departure.

The executive guidelines for this note shall be prepared by the Iranian National Tax Administration and approved by the Minister of Economic Affairs and Finance.

Chapter 3

Base, Rate and Manner of Computation of Tax

Article 14 - The base used for the computation of tax shall be the price of goods or services as specified in the invoice. In case no invoice is available or no invoice is provided and/or if according to proving documents it is proved that the value mentioned in the invoice is not true, then the prevalent price of goods and services at the date of incidence of tax (spot price) shall be used as the basis for the computation of tax.

Note: The followings are not included in the base of computation of tax:

A- Discounts.

B- Taxes subject of this Act and already paid by the supplier of goods or renderer of services.

C- Other indirect taxes and duties applied to goods and services at the time of supply or provision.

Article 15 - The base for computation of tax due on importation of goods is the CIF value of goods (purchasing price plus freight charges and premiums) plus import duties and charges (customs duties and commercial profit) as stated in customs documents.

Note: The tax base for importation of services is the value of importation consideration (Monetary or non-monetary) in Iranian Currency (Rials).

Article 16 - The Value Added Tax rate is one and half percents² (1.5 %).

Note: The tax rate applied to special goods is as follows:

1- Any kind of cigarettes and tobacco products, twelve percents (%12)

2- Any kind of gasoline and aircraft fuels, twenty percent (%20)

Article 17 - Taxes paid by taxpayers at the time of buying goods and services for economic activities, if evidenced by invoices issued in accordance with this Act, shall be deducted from taxes collected by them or be refunded to them as the case may warrant. "Production line" machinery and equipments are considered as goods used for economic activities.

Note 1: In case of payments excess of due tax of a tax period by taxpayers subject to the provisions of this Article, the excess amount shall be carried forward to the tax account of the taxpayer for next periods or be refunded from current collected revenues, should the taxpayer request so.

² The rate has frequently been adjusted as per Annual Budget Laws. The overall VAT rate for the year 1394 (March 21, 2012 - March 20, 2016) shall be 9%.

Note 2: In case taxpayers supply exempt goods or services or are not subject to tax according to the provisions of this Act, taxes paid for purchasing the above-mentioned goods and services up to exemption stage shall not be refundable.

Note 3: In case of taxpayers engaged in supplying taxable and non-taxable goods and services simultaneously, only taxes paid for taxable goods or services shall be included in the tax account of the taxpayer.

Note 4: The portion of the Value Added Tax paid by taxpayers for special goods subject of Article 16, and Notes A, B, C to Article 38 of this Act shall be deductible from received taxes or refundable, only at importation, production and redistribution stages of those goods by importers, producers and distributors.

Note 5: That portion of the Value Added Tax paid by taxpayers, not refundable or deductible from received taxes according to the provisions of this Law, shall be considered as acceptable costs subject of Direct Taxes Act³.

Note 6: The excess amount collected from taxpayers in accordance with the provisions of this Act, if not refunded within three months from the date of request for refund by the taxpayer, shall be entitled to compensation at the rate of 2 percents per month on refundable amount and in proportion with delay time.

Note 7: Taxes paid by city and village municipals in relation to legal duties and services, shall be refundable or deductible according to the provisions of this Act.

³ See appendix (2)

Chapter 4

Duties and Obligations of Taxpayers

Article 18 - Taxpayers subject of this Act should register for VAT, fill in [and submit] related forms and provide the information required by the Iranian National Tax Administration (INTA), in accordance with arrangements to be determined and announced by the mentioned administration.

Article 19 - Taxpayers should issue an invoice, in accordance with the provisions of the Law of Unions, when supplying goods or providing services subject of this Act, containing particulars of the parties to the transaction and specifications of transacted items according to arrangements to be determined and announced by the Iranian National Tax Administration (INTA). [They should also] specify the amount of tax in a separate column and collect it. Should the taxpayer use cashier machine, the machine tape shall be considered as invoice.

Note: Taxable goods supplied without compliance with the regulations and standards of this Act, shall be considered as smuggled and be subject to related laws and regulations.

Article 20 - Taxpayers are required to calculate the tax subject of this Act and collect it from the other party to the transaction on the incidence date of it.

Note 1: The I.R.I Customs Administration is required to state the amount of the tax subject of this Act in related customs licenses and/or relevant forms as the case may warrant, and deliver related information of the juridical and real persons subject to the stipulations of this Act to the Iranian National Tax Administration, maximum at monthly basis and simultaneously provide access to related databases for INTA.

The I.R.I Customs Administration (IRICA) is required to pay collected taxes of each month into a special account in the General Treasury to be announced by the Iranian National Tax Administration, until fifteenth of next month.

Note 2: For services purchased outside the Islamic Republic of Iran, importers of the services are required to calculate and pay due tax.

Article 21 - Taxpayers are required to submit the tax return of each tax period in accordance with the sample and guidelines to be introduced by the Iranian National Tax Administration, within 15 days after the end of the tax period and after deducting deductible taxes paid on the basis of provisions of this Act, pay the related tax amount into the account to be determined by the Ministry of Economic Affairs and Finance (General Treasury) and announced by the Iranian National Tax Administration (INTA), in due deadline.

Note 1: Should the duration of a taxpayer's business activity be less than a tax period, the obligations subject of this article shall apply to the shorter period.

Note 2: Real and juridical persons having more than one business place or activity should submit separate tax returns and pay the due tax of each business place or activity separately.

Note 3: In case of working places and manufacturing, service, or commercial units whose type of activity requires establishing offices, stores, or branches in one or more places other than the central place, submitting a single tax return should be in accordance with guidelines to be announced by the Iranian National Tax Administration (INTA).

Note 4: For those taxpayers subject of this Act not having a fixed business place; the place of habilitation shall be regarded as place of business for the purpose of filing the tax return and other related tax affairs.

Articles 22 - If taxpayers fail to comply with the obligations stipulated in this Act and/or violate the provisions of this Act, they should pay the tax amount due and delay penalty and also be subject to fine sums as follows:

1. For failing to register in stipulated time limit, 75% of the amount of tax due up to the date of registration or identification of the taxpayer, as the case may be;
2. For failing to issue invoices, equal to the tax amount due;
3. For incorrect price listing in invoices, equal to the difference with the tax due;
4. For failing to fill in or complete the information needed in invoices according to given sample and guidelines, 25% of the tax due;
5. For failing to file the return after registration or identification, whichever may be, 50% of the tax due;
6. For failing to present and produce books, records or documents, 25% of the tax due.

Article 23 - Delay in payment of taxes subject of this Act in stipulated time limits, shall result in application of a penalty equal to 2% in month on the amount of unpaid tax and in proportion with delay time.

Chapter 5

Value added Tax Organization: Duties and Powers

Article 24 - The Iranian National Tax administration (INTA) should propose the necessary organization to the President via proposal from the Minister of Economic Affairs and Finance. The Iranian National Tax Administration can organize its provincial offices in accordance with economic potentials of each province (region) and without compliance with divisions of the civil. The proposed organization shall be in place after being approved by the President of the Islamic Republic of Iran.

Note: The Iranian National Tax Administration (INTA) is authorized to select and employ expert human resources needed for implementing this Act from existing human resources [of INTA] in accordance with the approved organization and select and employ the remaining human resources needed via special recruitment examinations. The Iranian National Tax Administration is authorized to employ up to 10% of the capacity of this recruitment permission from university graduates, without publicity and examination.

Article 25 - Identification, method of tax examination and assessment and application and collection of taxes subject of this Act is delegated to the Iranian National Tax Administration (INTA). Position titles, job specifications concerning education and experience, tasks and methods of performing job-related tasks, and determination of powers and qualifications needed for each personnel of the Iranian National Tax Administration (INTA) and also method of executing the orders stipulated in this Act (with the exception of articles needing special regulations, bylaws or guidelines) shall be according to Article 219 of Direct Taxes Act⁴ approved on 1380/11/27 (Jan 2003).

Article 26 - In case the tax officials of the Iranian National Tax Administration refer to taxpayers and ask for books of accounts, documents and records to evaluate tax returns or to check the amount of taxpayers' transactions, taxpayers and buyers [both] are obliged to submit requested books, documents and records and if they fail to do so, they shall be liable to [related] fines subject of Article 23 of this Act and their tax liability shall be assessed, applied and collected ex-officially, in accordance with the regulations to be proposed by the Iranian National Tax Administration (INTA) and approved by the Minister of Economic Affairs and Finance.

Article 27 - Taxpayers subject of this Act can refer the preparation of their VAT audit report to the Audit Organization of the Islamic Republic of Iran or audit institutes member of the Society of Official Accountants. The mentioned agents accept to proxy for the taxpayer, they are required to prepare the VAT audit reports in accordance with the sample and guidelines to be introduced by the Iranian National Tax Administration (INTA), and refer it to the taxpayer for submission to the related tax office, considering the followings:

⁴ See appendix (3)

A- Commenting on the sufficiency of accounting documents and records as regards VAT audit considering accounting regulations, bylaws and standards.

B- Determining the tax inclusive base and the tax amount due for each period in accordance with the provisions of this Act and [its] related regulations.

Note 1: Tax offices shall accept audit reports prepared in accordance with the stipulations of this Article without examination and produce notice of tax claim in accordance with regulations. Acceptance of the audit report of each tax period rests on the submission of the mentioned report and the tax return of the same tax period to the related tax office by the taxpayer no later than one month after the ending of the time-limit for filing returns.

Note 2: The Iranian National Tax Administration can refer VAT audit of juridical and real persons to the Audit Organization of the Islamic Republic of Iran or audit institutes member of the Society of Official Accountants. In that case, the Iranian National Tax Administration shall be responsible for paying the fees in accordance with concerning regulations.

Article 28 - To improve the tax culture of the taxpayers and to provide correct consultative services concerning tax affairs for the taxpayers as concerns tax laws and regulations and also in order to provide taxpayers with [tax] representative services needed for calling on tax offices and authorities, an organization named “the Society of Official Tax Advisors of Iran” shall be established and employ qualified human resources to act in this respect.

All related government authorities are required to cooperate with advisor members of this society in accordance with legal duties and tax regulations, upon presentation of valid membership papers by the mentioned agents.

The Article of Association of this society shall be prepared by the Iranian National Tax Administration (INTA) within 6 months after the approval date of this Act and be approved by the Council of Ministers upon proposal from the Ministry of Economic Affairs and Finance.

Article 29 - When notice of tax claim or notice of refund of excess tax is notified to the taxpayer, if unsatisfied he may lodge an appeal to the respective tax office within twenty days from the date of receiving the notification, to settle disputes. If the dispute is settled, the case will be dismissed. If the taxpayer does not lodge and appeal within the mentioned time-limit, the sums mentioned in the tax claim notice or excess tax refund notice shall be considered as final, except for cases where mentioned appeals are on substituted service.

If the taxpayer lodges his appeal within the time-limit stipulated in this Article, but the dispute is not settled, and if the notices subject of this article are on substituted service, within 20 days after the ending of the time-limit determined or the date of receiving the

appeal, the case will be referred to the Board of Settlement of Tax Disputes, subject of Direct Taxes Act for [further] examination.

Article 30- All banks, credit institutes and cooperatives, interest-free funds and cooperation fund are required to submit information and documents concerning only taxpayers' income used in assessment and collection of tax, upon requests from the president of the Iranian National Tax Administration (INTA). The mentioned entities shall be responsible for complete compensation of any [income] losses imposed on the government if they fail to expose required information and documents.

Article 31- Municipalities are required to share the existing information of their data bases as regards properties, businesses and others needed by the Iranian National Tax Administration for identification and investigation of taxpayers' financial activities, upon requests from its president and provide simultaneous access to the information in related data bases for the Iranian National Tax Administration (INTA).

Article 32- Offence investigation of tax officials responsible for executing this Act shall be subject to the provisions of the Direct Taxes Act⁵ approved in 2001. Execution of this article will not prevent exercising the authorities of the president of the Iranian National Tax Administration (INTA) provisioned in other regulations.

Article 33- Orders subject of chapters eight, chapter nine part four and chapter three part five and Articles 191,202 and 230 to 233 of the Direct Taxes Act⁶ approved in 2001 shall be in force for Direct taxes and this Act as well (Except for Article 251 of the Direct Taxes Act⁷ approved in 2001 which will not apply to this Act).

⁵ See appendix (4)

⁶ See appendix (5)

⁷ See appendix (6)

Chapter 6

Other regulations

Article 34 - Taxpayers liable to the tax subject of this Act are required to use books of accounts, invoices and other relevant forms, cashier machines and/or [any] other means and methods of recordkeeping determined by the Iranian National Tax Administration (INTA). The mentioned documents should be kept for ten years after the related fiscal year and be presented to the tax officials if asked so.

Article 35 - The Iranian National Tax Administration (INTA) should prepare and draw-up necessary plans (at most five-year plans) for development [and] equipment, training and mentoring of tax officials and for promoting tax culture via [public] media and other suitable mediums all over the country. Also the mentioned administration is authorized to take possession of capital assets (including necessary office space and equipments) [as well]. The government is required to allocate necessary budget and issue necessary permits for the execution of this Article in the yearly budget bill of the country.

Article 36 – The budget of the Iranian National Tax Administration (INTA) and its provincial offices will be declared under a specific budget line in the budget law aggregately and be a hundred percent allocated to the mentioned administration to spend on current expenditures and take possession of the capital assets of the headquarter and provincial offices of the administration.

Article 37- One thousandth of the revenues collected as taxes, excises and penalties subject of this Act shall be deposited into a special account in the General Treasury belonging to the Iranian National Tax Administration (INTA) and an amount equal to that shall be allocated to the mentioned administration in the yearly budget bill to be spent on training, providing incentives and rewards for consumers and taxpayers. Fees paid under the provisions of this article are not liable to tax and any contradicting regulations. A member of the Economic Commission of the Parliament shall be elected by the Parliament members and appointed to supervise the activities of the Iranian National Tax Administration as regards this.

The Minister of Economic Affairs and Finance should submit a report on the extent and method of distribution of the funds subject of this article between consumers and taxpayers, to the Economic Commission of the Parliament on yearly basis.

Chapter 7

Goods and Services Tax

Article 38 - the rate of city and village municipals excise (taxation) on goods and services subject of this act is added to the tax rate subject of Article 16 of this law as follows:

- a- For goods and services subject of Article 16 of this Act 1.5%
- b- For all kinds of cigarettes and tobacco products 3%
- c- For all kinds of gasoline and airplane fuels 10%
- d- For kerosene and gas oil 10% and for fuel oil 5%

Note 1 – Contaminating production units which do not follow the standards and regulations concerning environment protection if identified and introduced by the Environment Protection Organization (until 15th of Esfand – 5th Mars – each year for enactment next year), also refineries and petrochemical units, will have to pay 1% of sales price in excess of the tax and excises due in accordance with this Act, as Contamination Excise. The stipulated order of Article 17 of this Act and notes to it, shall not apply to Contamination Excises subject of this article.

Units managing to obviate the contamination during the year can be cleared from the list of contaminating units upon request and after gaining approvals from the Environment Protection Organization. Such units will not be liable to paying Contamination Excises from the beginning of the first tax period after the date of introduction to the Iranian National Tax Administration by the above mentioned organization.

Units added to the list of contaminating units after identification and introduction by the Environment Protection Organization during the year shall be liable to pay Contamination Excises from the beginning of the first tax period following the date of introduction by the Environment Protection Organization.

Excises subject of this note, if collected from units within the territory of cities, shall be deposited into the account of the city municipal of the place of the production unit and if collected from units outside the territory of cities, shall be deposited into the Funds Centralization Account subject of Note 2 to Article 39 and be distributed between village municipals of the same city.

Note 2: In case production units establish training centers and sport clubs, or expend in this respect to improve the skills and health of their personnel, they can claim refunds for 10% of the excises subject of note 1 of this article as concerns the expended amount, upon introductions from the Ministry of Labor and Social Affairs, and refund or deduct the amount if the Iranian National Tax Administration (INTA) accepts these expenses.

Note 3: To [encourage] establishment and development of training units in less developed areas, an amount equal to 0.5% of excises collected under note 1 to this

article shall be deposited in a special account in the General Treasury belonging to the Ministry of Education. An equal amount shall be allocated to the mentioned Ministry in yearly budget bill to be spent on developing and establishing education centers needed in the mentioned areas. The bylaw concerning this note shall be approved by the Council of Ministers upon joint proposal from the Ministry of Education and Ministry of Economic Affairs and Finance.

Article 39- Taxpayers are required to pay the excises and fines subject of Article 38 of this Act into an account to be opened by the General Treasury upon proposals from INTA and announced by INTA.

The Iranian National Tax Administration is required to deposit the excises collected each month to the accounts belonging to municipalities or to the Funds Centralization Account as follows:

- a) Excises collected under Part a of Article 38 shall be deposited as follows: for excises collected from taxpayers located within the territory of cities, to the account belonging to the city municipal and for excises collected from taxpayers located outside the territory of cities, to the Funds Centralization Account belonging to the Ministry of the Interior to be distributed between village municipals of the same city in proportion with population and less-development indices.
- b) Excises collected under Notes b, c, and d of Article 38 shall be deposited into the Funds Centralization Account belonging to the Ministry of the Interior.

Note 1: 3% of the funds deposited into the accounts subject of this article, will be deposited into an special account in the General Treasury belonging to the Iranian National Tax Administration (INTA) and an equal amount shall be allocated to the mentioned administration, who is responsible for identifying, investigating, claiming and collecting these excises, in yearly budget bill, to be spent on equipping, training and providing incentives for employee, and audits. Funds paid under this note shall be considered as collection rewards and will not be liable to tax or subject to any contradicting regulation.

Note 2: The Funds Centralization Account mentioned in this article shall be opened by the General Treasury and belong to the Ministry of the Interior. Funds deposited into this account (except for distribution methods mentioned in part a of this article and Note 1 to Article 38 of this Act) shall be distributed as follows; 20% for metropolises (cities with population of more than one million persons) in proportion with the population, 60% for other cities depending on less development indices and population, and 20% for village municipals in proportion with population indices, under the supervision of a work group complied of the representatives of the Deputy President of Planning and Strategic Control, Minister of Economic Affairs and Finance and a member of the Economic Commission of the Parliament and in accordance with the guidelines to be approved by the council of Ministers upon proposals from the Minister of Economic Affairs and Finance and Minister of the Interior and province high councils. Any fund withdrawal

from the Funds Centralization Account except for payment to city and village municipals and for funds mentioned in Article 37 and Notes 2 and 3 to Article 38 of this Act and Note 1 of this Article is prohibited. The Ministry of the Interior is required to submit reports on the withdrawn funds to the province high councils and the Economic Commission of the Parliament every 3 months.

Article 40 – Orders mentioned in other chapters of this Act, except for orders of chapter 9, shall be applicable to excises subject of this chapter as well, but orders of other chapters, concerning rate and method of deposition of funds and distribution of excises for which special orders has been given in this chapter, shall not be applicable here.

Chapter 8

Importation Duties

Article 41- Customs duties shall be 4% of customs value of goods. The aggregation of customs duties and commercial profit which will be determined by the Council of Ministers shall be called Importation Duties.

Note 1- The rate of Importation Duties along with complying with other regulations and laws should be determined in a way that:

- a) It supports employment and upholds goods produced or manufactured in the country against imported goods;
- b) It does not involve preferential rates and discrimination between public sector importers and private, cooperative and non-government importers.
- c) The Importation Duties of equipment parts, materials and substances imported for use in processing, manufacturing, montage or packing products, materials or machinery is less than the Importation Duties of processed products, things, materials, or machinery.

Note 2- Any general or specific law or regulation concerning exemptions on Importation Duties, except for exemptions subject of Articles (6), and Notes (1), (2), (4) to (9) and (12) to (19) of Article (37) of Customs Affairs Law approved on 1350/03/17 (May 1971) and Article (8) of the Law of Organizing Border Transactions approved on 1384/07/08 (October 2003) and the Law on Governing Free zones and Amendments to it, and the Law on Establishing and Governing Free Economic Zones approved in 1384 (2005) and also exemptions on payment of Importation Duties on manufacturing machinery imported by manufacturing, industrial and mineral units as specified in the related governing bill approved by the Islamic Revolution's Council on 1359/02/24 (1980) and customs exemption of aerial relief and rescue equipments donated to the Red Cross Society of the Islamic Republic of Iran and the Ministry of the Interior, and equipments used solely for the purpose of defense to the country are annulled. The list of main items used in defense of the country shall be approved by the Council of Ministers upon joint proposal from the Ministry of Defense and Countenance to Armed Forces and Deputy President of Planning and Strategic Control.

Note 3- An amount equal to 12 thousandth of the customs value of imported goods on which Importation Duties is collected shall be allocated to the Ministry of the Interior in accordance with funds allocated in the yearly budget bill, to be directed to city and village municipals as support allowances and shall be recorded as eroded expenses.

Chapter 9

Other Taxes and special Excises

Article 42- The rate of Car Transfer Tax, except for road making machines, workstation, mining, agriculture, shipping, motorcycle and three- wheel motor vehicles, whether produced national or imported, is 1% of the company sales value (national) or 1% of the sum of customs value and Importation Duties. For each year expiring after the production year of the motor vehicle up to 6 years, the base of computation for the tax will decrease 10% on yearly basis (at most up to 60%).

Note 1- Notary Public offices are required to ask for the receipt or certificate of payment of excises subject of Note 2 to Article (45) of this Act of the previous year prior to executing the title deed or any documents concerning settlements, grants, sales or any power of attorney for care sales, enter the followings in certificates in accordance with regulated tables distributed by the Iranian National Tax Administration (INTA):

- a) Bank receipt No., payment date, figure and name of the bank receiving the tax,
- b) Bank receipt No., payment date, name of the bank receiving the excise or No. and date of issue of excise payment note.
- c) Particulars of the automobile including: class, system, model, chassis No., motor No. and model
- d) Name, postal code, ID No. or Economic Activity Code (EAC) of the parties to the transaction.

Notary Public offices are also required to submit complete list of transactions of each month to related tax offices up to the 15th of the next month and in accordance with a form or method to be introduced by the Iranian National Tax Administration (INTA).

Note 2: Notary Public offices are required to stipulate sale of the motor vehicle in drawing up general attorneys for property transactions.

Note 3 – In case of violation of orders of Notes (1) and (2) of this Article, Notary Public offices shall be liable to penalty sums as follows:

- a) If the tax or excises due have not been paid or underpaid a penalty equal to 2% per month on unpaid or underpaid excises due or the difference amount, in proportion with the amount of the tax and excises unpaid and delay time. This penalty is not dispensable.
- b) Fail to enter any of the particulars and items mentioned in parts a, b, c, d, to Note 1 in the title deed or fail to submit the list of transactions in compliance with the form or method mentioned in Note1 in legal time-limit shall be considered as violation of the law and be subject to related regulations and Laws.

Note 4: Annulment and dissolution of car title deeds up to six months after the transaction shall not be liable to Car Transfer Tax. In case Car Transfer Tax is paid and the transaction is not realized the tax collected shall be completely refunded to the transactor or his delegation upon providing testimony certificates by the related Notary Public office and in accordance with regulations to be introduced by the Iranian National Tax Administration (INTA).

Note 5- First transfer of motor vehicle from the manufacturer, montage company or the importer (registered representatives of foreign companies) to purchasers and also any transfer of motor vehicles by method of settlement or donation to the Government, non-government public institutes, universities and Islamic Seminaries are not liable to pay the Car Transfer Tax subject of this Article.

Note 6- The (national) company's sales price or the sum of the customs value and Importation Duties of any imported automobile which are the base of computation for parts a and c of Article 45 and Car Transfer Act, will be determined and announced on yearly basis in accordance with the latest models by the Iranian National Tax Administration. The mentioned base shall be applicable to imported automobiles right after announcement. This ultimatum is not applicable to new brands of automobile which are manufactured or imported after the announcement of the e mentioned list. The sales price or the sum of customs value and Importation Duties of automobiles not produced any more will also be determined by the mentioned administration in accordance with the latest existing model.

Note 7- The Law Enforcement Force of the Islamic Republic of Iran (Traffic Department) is required to take the tax payment receipt of government automobiles when transferred to non-governmental natural or juridical persons and document the transfer in records.

Article 43 - Tax and Excises of special services shall be as follows:

- a) For intra-city passenger public transportation within Iran with vehicles via land (except for rail transportation vehicles), air, or sea, 5% of the ticket price (as excise) as the case may be.
- b) Yearly excise of all kinds of motor vehicles and two cabin vans whether manufactured nationally or imported, equal to one thousandth of company sales value (for national products) and equal to one thousandth of the sum of customs value and Importation Duties (for imported ones).

Note: For cars more than ten years old (except for CNG, CNP fueled cars) excises subject of part b of this article will increase face an increase of 10% annually up to at most 100% of the amount of excise subject of the parts a and b for each year after production year (up to 10 years).

- c) For numbering any Automobile or two cabin van whether produces nationally or imported (with the exception of inter and intra-city public transportation

vehicles), equal to 3% of company sales value or the sum of customs value and Importation Duties (2% as tax and 1% as excise)

Article 44- Upon proposal from a work group consisting of the Minister of Economic Affairs and Finance (as chairman), Minister of Trades and Deputy President of Planning and Strategic Control, and after approval by the Council of Ministers, sums for issuance, prolonging or correcting all kinds of cards and licenses concerning activities subject of Articles (24),(26) and (47) of the Law of Adjusting Parts of Financial Regulations of the Government approved on 1380/11/27 (Jan 2001) and Article (80) of the Law of Collecting Some of the Government's Revenues and Expending It in Determined Cases approve on 1373/12/28 (Feb. 1994) shall be collected from applicants and deposited into the General Revenue Account (with the General Treasury).

Article 45- The Government is allowed to take 250,000 Rials (Two hundred fifty thousand Rials) for each passenger going abroad via aerial boundary and fifty thousand Rials (50,000 Rials) for every passenger going abroad via maritime and territorial boundary and deposit the collected amount into the General Revenue Account (with the General Treasury). The change of the fees subject of this article will be determined and approved by the Council of Ministers every three years in proportion with inflation rate.

Note: Owners of diplomatic or service passports and aerial, maritime and land public transportation vehicles' crew, university students studying outside Iran (Owner of student exit permit), patients sent abroad for treatment with the permission of Council of Medicine, and owners of border passage permit and the war-cripples of the Islamic Revolution sent abroad for medical treatment, also Iranians resident abroad having Employment Record issued by the Ministry of Labor and Social Affairs, are exempt from paying fees subject of this article.

Article 46 –

- a) Taxes subject of Articles (42) and (43) and fees subject of Article (45) of this Act shall be deposited into related General Revenue Account or Accounts to be determined by the Ministry of Economic Affairs and Finance and introduced by the Iranian Tax Administration (INTA).
- b) Collecting excises subject of parts (a) and (b) of Article (43) of this Act shall be delegated to local municipals. The collected funds shall be deposited in the account belonging to the local municipal as well.
- c) Excises subject of part (c) of Article (43) shall be deposited into Funds Centralization Account, subject of Note 2 to Article (39) to be distributed and expended as specified in the note.
- d) Taxes and fees subject of Articles (42), (43), (45) collected by the Iranian National Tax Administration (INTA) shall be liable to orders of chapter nine part four of the Direct Taxes Act approved on 1380/11/27 (Feb. 2001) and its following amendments.
- e) Disputes and abstention to pay fees subject of parts (a) and (b) of Article (43) collected by Municipalities, shall be subject to the orders of Article (77) of the Law on Governing Municipalities.

f) Paying the taxes and excises subject of Article (43) of this Law after the determined time-limit shall result in application of a 2% penalty per month and in proportion with the delay time.

Article 47-

a) Persons doing intra-city passengers transportation in Iran whether by land, maritime and aerial vehicles, are required to specify the 5% excise on the ticket price subject of part (a) of Article (43) of this Act on the ticket or contract, under the name of excise, collect the same from passengers and deposit the collected sums into the account of the local municipal of the point of sale of the ticket up to the 15th of the next month.

b) Owners of automobiles and two cabin vans whether produced nationally or imported, should compute and pay yearly car excises, subject of part (b) of Article (43) of this Act, equal to one thousandth of the (national) company sales price of the car or the sum of customs value and Importation Excise (for imported ones) using tables to be introduced by the Iranian National Tax Administration (INTA).

c) Manufacturers of all kinds of automobiles and two cabin vans (except for numbered public automobiles) are required to enter the tax and excise amounts subject of part (c) to Article (43) of this Act in the sales documents, collect the same from buyers and deposit the [collected] tax and excise amounts respectively to the account belonging to the Iranian National Tax Administration (INTA) and the Funds Centralization Account belonging to the Ministry of the Interior - to be introduced by the Iranian National Tax Administration (INTA)- in accordance with the orders of Article (21) of this Act.

Note 1 – Importers or owners of automobiles and two cabin vans (except for numbered public automobiles) are required to refer to the tax offices of the city where the automobile is to be numbered and pay the tax and excise subject of this Act prior to numbering.

Note 2: The Law Enforcement Force of the Islamic Republic of Iran (Traffic Department) should take the tax and excise payment receipt of automobiles and two cabin vans (except for inter-city and intra-city public transportation vehicles) and append it to related documents prior to numbering them. They should refuse to number automobiles or two cabin vans whose tax and excise has not been paid. The tax payment receipt mentioned here shall be issued by tax administration after collecting related sums.

Article 48 – The Civil Aviation Organization is allowed to collect 2% of the ticket prices of interior flights, with the approval of the National High Council of Civil Aviation, to finance expenditures needed for maintenance, improvement and flight safety and infrastructure development plans of airports and also to spend on use of modern airport, aviation and security equipments.

Article 49- The executive bylaw governing the orders of this chapter shall be prepared at most by six months after the approval date of this Act and be proposed jointly by the Ministry of Economic affairs and Finance and Ministry of the Interior and approved by the Council of Ministers.

Chapter 10

On Other Related Laws and Implementation Date

Article 50- Enforcing any excise or fees on any kinds of imported or manufactured goods or on provision of services for which taxes and excises applicable has been determined in this Act, and also enforcing excises on revenues included in tax base, dividends, security bond profits, deposit profits, and other financial operations performed by banks and authorized non-bank credit institute, by the Islamic Councils or other authorities, is prohibited.

Note 1: Islamic City and District Councils should approve and publicize enforcement of any new local taxes or excises not defined in this Act until the 15th of Bahman (3rd February) each year to be implemented next year.

Note 2: The term “five out of thousand” in Article (2) of the Law of Habilitation and Civilization of cities approved on 1347/09/07 (Dec. 1998) changes to 1%.

Note 3: Laws and regulations concerning entitlement of city and village municipals to rebate tax or exemption from payment of excises and funds are annulled.

Note 4- The Ministry of the Interior is obligated to supervise the good implementation of this Act all around the country.

Article 51- From the beginning of the month following the approval date of this Act, the tax subject of part (e) of the Law of Amendments to Parts of the Law of the Third Economic, Social and Cultural Development Plan of the Islamic Republic of Iran and Method of Enforcing and Collecting Excises and other Funds from Producers of Goods and Service Providers, and Imported Goods approved in 1381 (2001) and its following amendments are abolished and the excise subject of the mentioned part of this article is corrected to 1.5%.

The stipulations of Note 1 to Article (40) of this Act, concerning the excise subject of part (e) of Article (3) of the above-mentioned Law will continue to be applicable.

Article 52- From the enforcement date of this Act, the Law of Amendments to Parts of the Third Economic, Social and Cultural Development Plan of the Islamic Republic of Iran and Method of Enforcing and Collecting of Excises and other Funds from Producers of Goods, Services Providers and Imported Goods approved in 1381 (2001) and its following amendments, and other specific or public laws or regulations concerning collection of any indirect taxes or excises from production and importation of goods and provision is annulled and imposing and collecting any other indirect taxes or excises from producers and importers of goods and providers of services is forbidden. The order of this Article also includes contradicting laws or regulations liability to which rests on mentioning names.

The following Laws and regulations are excluded from the order of this Article:

- a) The Law of the Fourth Economic, Social and Cultural Development Plan of the Islamic Republic of Iran
- b) The Direct Taxes Act approved in Esfand 1366 (March 1987) and its following amendments
- c) The Law on Governing Free Trade-Industrial Zones of the Islamic Republic of Iran approved on 1372/06/07 (August 1993).
- d) The Law of Establishing and Governing Especial Economic Zones of the Islamic Republic of Iran.
- e) The Law of Regulating Foreign Vehicles Traffic approved on 1374/04/12 (Jun 1994)
- f) Highway Tolls and excises subject of Article 12 of the Law of Transportation and Transit Passage of Foreign goods from the Territory of the Islamic Republic of Iran, approved on 1374/12/26 (April 1995)
- g) The Law of Defining the Method of Resourcing the Chamber of Trade, Chamber of Industries and Mines and Chamber of Cooperation's Expenses approved on 1372/08/11 (October 1993) and its following amendments.
- h) Articles 63 and 87 of the Law on Collecting Some of the Revenues of the Government, approved on 1373/12/28 (April 1994)

Note – Commission brokerage expense and other funds taken from the other party in consideration of provision of special services or goods in accordance with related laws and regulations, and also compensations and penalties imposed in accordance with laws or regulations not abolished here, are not liable to the order of this Article.

The instances of special services and method of pricing and determining the value of services subject of this Article shall be approved by the Council of Ministers upon proposal from the related executive institution.

Article 53- For Articles 18, 24,25,28,31,35,36,42, and 48 of this Act shall be enforced from approval date of this Act, Article 51 shall be enforced from the begging of the month following the approval date, and other articles shall be enforced from 22th September 2008. The Iranian National Tax Administration (INTA) should prepare the mentioned regulations, bylaws and guidelines after the approval of this Act and get it approved by related authorities.

This Act includes 53 Articles and 47 Notes was approved by the Economic Commission of the Parliament on 1386/05/28 (26th July 2007) in accordance with the orders of Article 85 of the Constitution and was proposed to the plenary meeting of the parliament on Tuesday 1386/11/9 (28th January 2008) and approved to be implemented for five years on pilot.

Appendix 1: Articles 83-89 of Direct Taxes Act

Article 82 - The income a real person employed by another (real or juridical) person, that is derived against services rendered by him with regard to his occupation in Iran, whether on basis of the time spent or the work done, and whether paid in cash or non-cash form, shall be subject to tax on salary income.

Note: Salary income derived from Iranian sources by individuals during their mission abroad (remitted either by the government of Islamic Republic of Iran or by persons residing in Iran) shall be subject to tax on salary income.

Article 83 – taxable salary income consists of the salary (fixed emolument or wage, or basic salary) and fringe benefits paid in connection with the employment, whether on recurring or non-recurring basis, before subtraction of deductions, but less the tax exemptions provided under the present Act.

Note: The non-cash income subject to salary tax shall be appraised and computed as follows:

- a) furnished housing equal to 25 percent, unfurnished 20% of the sum of salary and regular cash benefits (except for the cash benefits exempted under the article 91 hereof) per each month, less the amount deducted from the employee's salary in respect of the same housing;
- b) private chauffeur-driven car equal to 10% and without chauffeur 5%, of the sum of salary and regular cash benefits (except for the cash benefits exempted under the Article 91 hereof) per each month, less the amount deducted from the employee's salary in respect of the same car; and
- c) Other non-cash benefits equal to the cost price as the cured by the payer of the salary.

Article 84 – The annual income subject to salary tax, which is derived from one or more sources by any salary receiver, including the workers subject to the labor code, shall be exempt from taxation up to a threshold equal to 150 times of the base minimum salary of the schedule envisaged in the Article 1 of the Law of 1370 concerning the Coordinated System of Payment to civil Servants.

Article 85 – Salary income of employees subject to the Law of 06/13/1370 concerning the Coordinated System of Payment to Civil Servants, less the exemptions provided in this Act shall be subject to tax at a flat rate of 10%. As regards the other salary receivers, up to IRR 42,000,000 of their salary income, minus the exemptions envisaged under the present Act, shall be subject to the same rate of 10% and the rates of the article 131 hereof shall apply to the rest thereof.

Article 88 – whenever the salary is received from the persons who reside abroad and have no branches or representatives in Iran, the salary receivers are required to pay, in

accordance with the provisions of this chapter and within thirty days from the date of receiving of such salary, the applicable thereon to the tax affairs office of the district where they are domiciled. They are also obligated to submit, up to the end of the month *Tir* of the next year, a tax return on the salary received by them to the same tax affairs office.

Article 89 – Grant of exit permission or extension of residence or work permits for foreign nationals, except for those exempted from taxation under present Act, shall be subject to presentation of a tax clearance or written commitment by the employer of the Iranian juridical person that is the party to the contract with the employer of expatriate employees or with the third party Iranian legal entities.

Appendix 2: Articles 147-148 of Direct Taxes Act

Article 147 – Acceptable expenses for assessment of taxable income, as specified under the provisions of the present Act, shall consist of expenditure that are within the prescribed limits and are supported – to the extent required by the custom and usage – by documentary evidence and are exclusively connected with the earning of the enterprise's income during the relevant fiscal term. If an expenditure is not envisaged under this Act or if it be beyond the limits stipulated herein, but the payment thereof is effected by virtue of law or decree of the council of Ministers, then it shall be acceptable.

Note: For the purposes of the present chapter, an enterprise means any legal person and the business proprietors subject to the paragraphs "A" and "B" of the Article 96 of this Act.

Article 148 - The expenditures that are described hereunder and meet the conditions stated in the above Article will be acceptable in tax computation:

1. the purchase price of the sold goods or the purchase price of materials used in the sold goods and services;
2. personnel costs proportional to the services of employees and on basis of the enterprise's employment regulations, including:
 - a. Basic salaries or wages and regularly recurring benefits, whether in cash or in kind (the benefits in kind at their cost to the employer);
 - b. Irregular non-recurring benefits, whether in cash or in kind, such as food stuff, productivity allowance, bonus, New Year bonus, overtime pay and travel expenditure and allowance. The limits of travel expenditure and allowances paid to directors, inspectors and employees traveling abroad to provide for relevant enterprise's needs, shall be determined under the regulations that will be prepared by the Ministry of Economic Affairs and Finance and the State Organization of Management and Planning, and will be Approved by the Council of Ministers;
 - c. Health and treatment expenses and payments for health and life insurance of employees, or for insuring them against accident arising out of work;
 - d. Retirement pension, survivors pension and termination of employment payments in accordance with the enterprise's employment provisions, dismissal compensation and payments for buying-out of services according to the enacted laws and in respect of that amount of such payments that exceeds the relevant reserve account;
 - e. Payment to the Social Security Organization in accordance with the relevant regulations and also an amount up to 3% of the paid annual salaries, and the employees' savings, in accordance with the regulations to be prepared by the Iranian National Tax Administration and approved by the Minister of Economic Affairs and Finance; and

- f. Funds reserved for financing the retirement pensions, survivors pension. Termination of employment payments, dismissal compensation and payments for buying-out of services of the enterprise's employees, up to the amount of the latest monthly salaries and wages and the balance resulted from the adjustment of the previous year's salaries. This rule shall apply or the reserves deposited in bank accounts so far as well.
3. The rent paid for the enterprise's premises in case of being rented. The amount of rental shall be determined on basis of the official deed (if any), otherwise within the normal range;
4. Rental of enterprise's machinery and equipment in case of being rented;
5. Costs of fuel, electricity, lighting, water and communications;
6. Funds paid in respect of various kinds of insurance relating to the operations and assets of enterprises;
7. Royalties paid, as well as the duties, levies and taxes paid to municipalities, ministries, government institutions and their difficulties in connection with the activities of the enterprise (except for the income tax and its appendants and other taxes that the enterprise is obligated, under the provisions of this Act, to withhold from its payment to other persons and remit it, as well as the fines paid to the government and municipalities);
8. Research, experiment and education expenses, purchases of books, periodicals and compact disks, marketing, advertising and exhibition expenses, if such expenditures pertain to the activity of the enterprise, and on basis of the regulations to be proposed by the Iranian National Tax Administration and approved by the Minister of Economics and Finance Affairs.
9. Expenditures related to the indemnification of damages caused by the operations or assets of the enterprise provided that:

First, the occurrence of the damage is ascertained;

Second, the type and extent of the damage are determined; and

Third, no other party is responsible for indemnification thereof under the provisions of the existing laws or agreements, or –at any event – the damage is not otherwise recovered. Regulations concerning the realization of the above three conditions shall be approved by the Minister of Economics and Finance Affairs on basis of the proposals of the Iranian National Tax Administration.
10. Cultural, sport and welfare expenditures paid in respect of workers to the ministry of Labor and social Affairs, up to a maximum amount of IRR 10,000 per each worker;
11. Reserves against doubtful receivables provided that:

First, the receivers against doubtful receivables are connected with the enterprise's business;

Second, they are, most probably, not recoverable; and third, the reserve is administered under a special heading in the enterprise's books of accounts until the claim is recovered or its incapability of being recovered becomes ascertained; Regulations concerning this paragraph will be approved by the Minister of Economics and Finance Affairs on basis of the proposals of the Iranian National Tax Administration.

12. Losses of real and legal persons, if ascertained by examination of their statutory books of accounts and in conformity with the regulations, can be carried forward and be offset against the income of subsequent year or years.
13. Small expenses incurred in connection with the premises of the enterprises, if such expenses are customarily born by the tenant and the place of business is rented;
14. Expenses incurred for maintenance and upkeep of the premises, if the place of business is owned by the enterprise;
15. Transportation expenses;
16. Expenses related to transportation of employees, entertainment and warehousing;
17. Fees paid in proportion to the services rendered such as commission, brokerage, legal fees, consultation fees, conference fees, auditors fees and fees for administrative, financial and inspection services, expenses related to software and designing and setting up of systems needed for the enterprise, expenditures for other specialized services pertaining to the activities of the enterprise and the fee of the legal inspector;
18. Fees paid or allocated to banks, cooperative funds and authorized non- bank credit institutions for the carrying out of the enterprise's operations;
19. Price of office supplies and office equipment that are usually consumed within one year;
20. Cost of repair and maintenance of machinery and also the cost of replacement of spare parts, provided it would not be considered as a basic repair;
21. Abortive mine exploration expenditures;
22. Membership and subscription fees paid in connection with the business of the enterprise;
23. Bad debts. In excess of the reserve for doubtful receivables and if it is proved by the taxpayer to be unrecoverable;
24. Currency exchange losses computed in accordance with accepted accountancy practice, provided it is applied consistently from year or year by the taxpayer;
25. Normal wastage of production;
26. Reserve of payable acceptable expenses related to the assessment year;

27. Acceptable expenses related to previous years, the payment or allocation of which is realized in the tax year under examination; and
28. Expenses for purchasing of books and other cultural and art goods for employees and their dependants, up to a maximum amount equal to 5% of the exemption threshold of the Article 84 hereof in respect of each individual.

Note 1: the expenses that are not mentioned in the present article, but are considered to be related to the earning the enterprise's income, shall be accepted ad deductible expenses on basis of the proposal of the Iranian National Tax Administration and approval of the Minister of Economics and Finance Affairs.

Note 2: Directors and owners of a juridical person's capital shall be considered as the enterprise's employees, in case they are engaged in salaried positions of the enterprise. In the enterprises other than juridical persons, however, the salary and fringe benefits paid to the owner of enterprise shall not be considered as acceptable expenses, except for service-related travel expenditure and allowance, which shall be subject to the paragraph (b)(2) of this Article.

Note 3: for computation of the tax applicable to the cooperative companies and unions, the reserves mentioned in paragraph 1 and 2 of the Article 15 of the Cooperatives Act of 03/16/1350 and its later amendments shall be accepted as deductible expenses. In case of the cooperative companies and unions that have adapted, or will adapt, their status to the Law of 06/13/1370 concerning the Cooperative sector of the Economy of the Islamic Republic of Iran, the reserve mentioned in the paragraph 1 of the Article 25 of the latter law, and also the cooperative and education allowance referred to in paragraph 3 of the same article will be accepted as deductible.

Appendix 3: Article 219 of Direct Taxes Act

Article 219 – The identification and assessment of taxable income and claiming and collection of taxes subject to the present Act shall be the responsibility of the Iranian National Tax Administration that has been established by virtue of the paragraph “a” of the Article 59 of the Law of the Third Economic, Social and Cultural development plan of the Islamic Republic of Iran. The manner of discharging the duties, and using the competence and powers, vested with each of the tax officers and tax affairs office, and also the procedure of execution of the rules of the present Act, will be specified in the regulations to be approved by the Minister of economic Affairs and Finance within maximum term of six months after the approval of this Act.

Note: The Iranian National Tax Administration may employ the previous procedures, execution arrangements and job titles, as executive provisions, before the approval of the regulations envisaged in this article.

Appendix 4: Article 244 of Direct Taxes Act

Article 244 – The forum for reviewing all tax disputes shall be the Board of Settlement of Tax Disputes, except in cases where other fora are provided under the present Act. Every Board of Settlement of Tax Disputes shall consist of three persons as follows:

- (1) One representative from the Iranian National Tax Administration;
- (2) One judge, whether active or retired. If qualified retired judges could not be found in centers of provinces and other cities, the head of the judiciary will introduce an active judge as the member of the Board, when the Iranian National Tax Administration would request that; and
- (3) A representative from Chamber of Commerce, Industries and Mines, Chamber of Cooperatives, Society of Official Accountants, professional associations, guild organizations or the Islamic city councils, whichever the taxpayer would choose. In cases where the assessment notice is notified through substituted service, or the taxpayer fails to declare his choice at the time of filing his protest within the legal time limit, the Iranian National Tax Administration shall select one of the said representative by due regard to the type of the taxpayer's activity or the kind of the tax under review.

Note 1: the quorum for the sessions of the Board of Settlement of Tax Disputes shall consist of three members and its verdict shall be conclusive and enforceable when rendered by the majority. However, the opinion of the minority should also be mentioned in the text of the verdict.

Note 2: The Iranian National Tax Administration shall be responsible for administration of the affairs of the Board of Settlements of Tax Disputes and for conveying of their sessions. The remuneration of the members of the Boards of Settlement of Tax Disputes will be payable out of the funds to be forecast for this purpose in the said organization's budget and on the basis of the regulations that will be proposed the Iranian National Tax Administration and approved by the Minister of Economic Affairs and Finance.

Appendix 5: Articles 263-271 of Direct Taxes Act

Article 263—The Tax Disciplinary Prosecutor will be nominated by the head of the Iranian National Tax Administration from among the senior officials of Ministry of economic Affairs and Finance, who have a minimum service record of ten years from which six years should have been spent in tax jobs, and will be appointed to that position by an order of the Minister of Economic Affairs and Finance.

Note: The Tax Disciplinary Prosecutor may have sufficient number of assistants and may assign to them a part of his authorities.

Article 264 - The tasks of the Tax Disciplinary Prosecutor shall be as follows:

- (a) Investigating, detecting and prosecuting the offences and faults of tax officers and representatives of the Iranian National Tax Administration in the Boards of Settlement of Tax Disputes, members of the 3-Man Board envisaged under the paragraph (3) of the Article 97 of this Act, other officials dealing with the duty of tax collection according to the present Act and persons performing the tasks of the said officials while maintaining their principal positions;
- (b) Investigating about the moral characters, behavior and actions of the said persons;
- (c) Advising on the promotion of tax officers and representatives of the Iranian National Tax Administration in the Boards of Settlement of Tax Disputes; and
- (d) Bringing lawsuits against the taxpayers and tax officials in cases envisaged under the present Act.

Article 265 – The causes of commencement of examination and investigation shall be as follows:

- (a) The complaint of interested persons with regard to the nonobservance of the provisions of this Act;
- (b) The report received from the official authorities;
- (c) Cases referred by the Minister of Economic Affairs and Finance or the head of the Iranian National Tax Administration or by the High Tax Disciplinary Board; and
- (d) Observations and information of the Tax Disciplinary Prosecutor.

Note: The Tax Disciplinary Prosecutor shall investigate the cases envisaged under the present Article and shall, as the case may warrant, file them, issue a *nolle prosequi*, or draw up a bill of indictment and submit it to the High Tax Disciplinary Board. The instances should also be reported to the High Tax Disciplinary Board where a *nolle prosequi* is issued. The Board shall directly examine the case if it would consider the *nolle prosequi* not in agreement with the facts of the issue.

Article 266 – The forum for investigating the offenses of the persons referred to in the Article 262 of the present Act, shall consist of two members of the high Tax Disciplinary Board, other than the head of the Board, and a member of the Supreme Tax Council to be introduced by the president of the Council. The Forum shall investigate the case referred to it in conformity with the provisions of this Act, the Law concerning the Administrative Offences and other positive regulations, and shall render a verdict of acquittal or conviction. The verdict shall be appealable by the prosecuted official or the office of the Tax Disciplinary Prosecutor within ten days from the serving thereof. The forum for reconsideration of the case shall consist of three members; the head of the High Tax Disciplinary Board, the president of the Supreme Tax Council and a member of the High Tax Disciplinary Board. The latter member shall be nominated by the head of the Board and must have not participated in issuing the verdict of the first instance stage. The verdict of the appellate forum shall be conclusive and enforceable.

Note (1): If a member of the High Tax Disciplinary Board has the record of rendering a verdict or expressing any views on the case under consideration, whether in first of appellate instance, the Minister of Economic Affairs and Finance shall appoint another person to that end.

Note (2): Whenever the verdict of the appellate forum is repealed by the Court of Administrative Justice, or the case is declared to be revisable, the file of the case shall be referred, solely for the grounds cited by the said court, to a board consisting of three persons selected by the Minister of Economic Affairs and Finance, of whom one member will be the head of the Iranian National Tax Administration. The verdict of the Board shall be conclusive and enforceable.

Article 267 – The Disciplinary offences of the members of the Supreme Tax Council, or of the members of the High Tax Disciplinary Board, shall be investigated, when instructed by the Minister of Economic Affairs and Finance, by an special administrative tribunal consisting of the heads of the chambers of the Supreme Court introduced by the Chief Justice of the said court, head of the Accounts Tribunal and the head of the Iranian National Tax Administration. The tribunal shall examine the case in conformity with the Law on Investigation of Administrative Offences and other relevant regulations, and shall rule on acquittal or conviction. The verdict of the tribunal shall be conclusive and enforceable.

Article 268 – Whenever the notaries public are obligated under the tax laws and regulations to perform certain tasks in connection with the transactions concluded through them, any offences committed by them in connection with the performance of such duties shall be prosecuted by the Tax Disciplinary Prosecutor. Trial and punishment of the offending notaries public shall be effected by the component forum envisaged under the Notaries Public Act. However, the Tax Disciplinary Prosecutor may, apart from submitting a bill of indictment, assign the representative of the tax affairs office for providing explanations to the said forum.

Article 269 – The offences of the judges of the Boards of Settlement of Tax Disputes related to performance of the duties vested in the said board under the tax laws and regulations shall be prosecuted by the office of the Disciplinary Prosecutor of Judges, after being declared by the Tax Disciplinary Prosecutor. As regards the retired judges and the representatives referred to under the paragraph (3) of the Article 244 of this Act, the investigation of their offenses shall be effected, by the courts of justice, and they shall be convicted to appropriate punishments.

Article 270 – The offences of tax officers and representatives of the Iranian National Tax Administration in the Board of Settlement of Tax Disputes in the following cases shall be subject to the punishment described below:

- (1) If after the assessment of the tax and its becoming in-appealable, it becomes evident that the tax officers and representatives of the Iranian National Tax Administration in the Boards of Settlement of Tax Disputes have assessed, intentionally or negligently, the income of the taxpayer below or above the actual amounts, without paying attention to the records and documents of the taxpayer, and also without performing sufficient investigation, then the offending persons shall be convicted to the administrative punishment of dismissal from government services for a period not less than three months and not more than five years, in addition to indemnification of the losses incurred, the amount of which shall be determined by the Supreme Tax Council;
- (2) In cases where the taxes of taxpayers become subject to the statute of limitation or uncollectible as a result of the negligence or carelessness of tax officers, except in case of the tax returns that are not to be examined necessarily by virtue of the Article 158 hereof, the failing officer shall be convicted, according to the verdict of the High tax Disciplinary Board, to dismissal from tax services, and also to an appropriate punishment stipulated under the Law on Investigation of Administrative Offences.

Meanwhile, the offending officer shall have civil liability for the losses sustained by the government, to the extent to be assessed by the Supreme Tax Council. The Tax Disciplinary Prosecutor shall raise a claim for indemnification of losses by virtue of the same liability in the civil courts of justice. In case of having ill intent, the accused person shall be subject to criminal prosecution by the Tax Disciplinary Prosecutor.

The tax officers who reopen the closed and adjusted tax cases shall be convicted, by the verdict of High Tax Disciplinary Board, to dismissal from government services from one to four years. If they give false reports and thus cause, intentionally, the faultless taxpayer to be prosecuted, shall be convicted by the judgment of the courts of justice, to imprisonment from six months to two years. The courts shall examine such cases out of turn.

The same rule shall apply where in cases referred to in the Article 156, 227 and 239 hereof and after the assessment notice is issued at any stage, a tax officer claims a tax in respect of other activities of the taxpayer, whether of the same type of after statute of limitation, as envisaged under the Article 156 and 157 of this Act, is applied.

Note: The procedure for investigation of relevant offences and applicable punishments shall be subject to the Law concerning the Investigation of Administrative Offenses, except in respect of cases which special regulations are envisaged under the present Act.

Article 271 – As regards the rejection of the books of accounts and documents and records of the taxpayer, if the 3-an Board envisaged under paragraph (3) of the Article 97 hereof would refuse, during a tax year, more than one fifth of the views expressed by a tax affairs office (taking into account the relevant extra time limit), the respective tax officers shall be subject to dismissal from tax assessment duty for one year, and in case of repetition forever.

Appendix 6: Articles 167, 191, 202, 230-233 & 244-251 of Direct Taxes Act

Article 167– With regard to the taxpayers who cannot afford to settle their tax liability, including the principal tax and fines, at once, the Ministry of Economic Affairs and Finance of the Iranian National Tax Administration may agree with them to pay the same in installments, but not later than three years from the date of notification of their final tax liability.

Article 191– The fines provided under present Act may be spared, totally or partially, when requested by taxpayer and agreed upon by the Iranian National Tax Administration. The Organization will take into account the evidence produced by the taxpayer to the effect that the non-compliance with the stipulated duties was due to reasons beyond his control. Due regard shall also be paid to the tax records of the taxpayer and his conduct as an upright pay according to the judgment of Organization.

Article 202 – The Ministry of Economic Affairs and Finance or the Iranian National Tax Administration may prevent the exit from the country of the tax debtors, whose final liability exceeds IRR 10,000,000. The rule of this Article shall also apply to the responsible director(s) of private legal persons in connection with the entity's final tax liability, whether it relates to the income tax of the entity or to taxes that the entity is required to withhold and remit, provided that the latter taxes pertain to the term of office of the said directors. The respective authorities are obligated to implement this Article when declared by the said Ministry or Administration.

Note: In case the taxpayers transfer their properties to their spouses or children, aimed at tax evasion, the Iranian National Tax Administration may take measures for annulling the relevant deeds through judicial authorities.

Article 230 – In cases where the documents and records indicating the earning of certain income are held by third parties, other than those referred to under the Article 231 hereof, such third parties shall be required to produce, when applied and asked by the tax affairs office, the books of accounts, as well as the original copy of relevant documents and any type of information pertinent to the taxpayer's income or specification. Otherwise, and if some losses are sustained by the government as a result of such third parties' failure, they shall be convicted to indemnification of the government's losses. The forum for verifying the third parties' failure and determining the losses sustained by the government will be the competent juridical authorities, who shall examine the case out of the turn when applied by the office of Tax Disciplinary Prosecutor.

Note: in cases where the third parties refrain from producing documents and papers demanded by the tax affairs office, the Iranian National Tax Administration may require them, through the office of the Prosecutor General, to submit such papers and documents. The juridical prosecution of the case shall not prevent the tax affairs office from making measures.

Article 231 – where the tax affairs offices ask, in writing, the ministries, government institutions, state companies, foundations of the Islamic Revolution, municipalities and other non-government public foundations and institutions to produce necessary information and documents in respect of the taxpayer's activities and transactions, such organizations shall be required to put certified copies of related documents and any necessary information at their disposal, unless the official in charge of the issue declares that such disclosure shall harm the interest of the country in the later case the disclosure can be refrained from when agreed by the respective responsible minister and confirmed by the Minister of Economic Affairs and Finance. Otherwise, the offence of the relevant official shall be examined by competent juridical fora out of turn, when declared by the office of the Tax Disciplinary Prosecutor, and he shall be convicted to an appropriate punishment as the case may require. As regards the cases where relevant information and documents are held by juridical authorities and they consider the producing thereof to be unadvisable, the provision of such information shall depend on the agreement of the Prosecutor General.

Note: In respect of banks and non-bank credit institutions, the Iranian National Tax Administration will demand the documents and information concerning the taxpayer's income through the Minister of Economics and Finance Affairs, in which case the banks and non-bank credit institutions shall be required to act in accordance with the view of the Minister of Economic Affairs and Finance.

Article 232 – The tax affairs office and other tax authorities must consider as confidential, the information they obtain in the course of reviewing the taxpayer's tax affairs, and should refrain from disclosing it, except before the respective authorities and to the extent it is needed for assessment of taxes and income. In case of disclosure, they shall be treated in conformity with the Islamic Criminal Code.

Article 233 – If the tax affairs office comes across, in the course of its investigations, tax offences subject to the Article 201 hereof that are committed by the taxpayers, it must report the case to the Tax Disciplinary Prosecutor for prosecution.

Chapter 3 _ Forum for the settlement of tax disputes

Article 244- The forum for reviewing all tax disputes shall be the Board of Settlement of Tax Disputes, except in cases where other for a are provided under the present Act. Every Board of settlement of Tax Disputes shall consist of three persons:

- (1) One representative from the Iranian National Tax Administration
- (2) One judge, whether active or retired. If qualified retired judges could not be found in centers of provinces and other cities, the head of the judiciary will introduce an active judge as the member of the Board, when INTA would request that; and
- (3) A representative from the Chamber of Commerce, Industries and Mines, Chamber of Cooperatives, Society of Official Accountants, professional

associations, guild organizations or Islamic city councils, whichever the taxpayer would choose. In cases where the assessment is notified through substituted service, or the taxpayer fails to declare his choice at the time of filing his protest within the legal time limit, INTA shall select one of the aid representatives by due regard to the type of the taxpayer's activity or the kind of the tax under review.

Note 1- the quorum for the session of the Board of Settlement of Tax Disputes shall consist of three members and its verdict shall be conclusive and enforceable when rendered by the majority. However the opinion of the minority should also be mentioned in the text of the verdict.

Note (2) – INTA shall be responsible for administration of the affairs of the Board of Settlement of Tax Disputes and for convening of their sessions. The remuneration of the members of the Board of Settlement of Tax Disputes will be payable out of the funds to be forecast for this purpose in the said organization's budget and on the basis of the regulations that will be proposed by INTA and approved by the Minister of Economic Affairs and Finance.

Article 245 – The Board members who are representatives of INTA shall be selected from among the said organization's employees with at least ten years service experience, from which not less than six years should be related to taxation career, and they must be knowledgeable and acquainted with tax affairs.

Article 246- for the purpose of participation of the taxpayer or his representative and possibly of disputing a representative by the tax affairs office, the time of hearing of the Board of Settlement of Tax Disputes shall be notified in case each files them. The interval between the date of notification and day of convention of the hearing session shall not be less than ten days, except when otherwise requested by the taxpayer and agreed by the relevant office.

Note- the absence of the taxpayer or his representative of the tax affairs office shall not prevent the board from examining the case and rendering its Verdict.

Article 247 – deleted

Article 248- the Verdict of the Board of Settlement of Tax Disputes must include justified and substantiated view concerning the objection of the taxpayer and in case of deciding upon the adjustment of the taxable income, the reasons and grounds should be specified by the Board in the text of the verdict.

Article 249- the Board of Settlement of Tax Disputes are required to mention the basis of tax calculation in the text of the verdict and in case of erroneous calculation, should examine it and correct the verdict, when applied by the taxpayer or the tax affairs office.

Article 250- in cases where the Board of Settlement of Tax Disputes rejects the tax assessment notice or adjusts the assessment made by the tax affairs office, it should send a copy of its verdict and transcript of the assessment notice to the tax Disciplinary Prosecutor for examination, so that the offending person be prosecuted, if commitment of an offence is ascertained.

Article 251- the taxpayer or the tax affairs office can file a complaint with the Supreme Tax Council, within one month from the date of serving the final verdict by the Board of Settlement of Tax Disputes, and apply by providing sufficient evidence for reversal of the verdict and reconsideration of the case for the reason of nonobservance of positive laws and regulations or because of defect in examination.