

Regulations on Investment in the Free Trade-Industrial Zones

.Article 1

In these regulations, the following terms are used in lieu of the corresponding phrases:

Mainland: The Islamic Republic of Iran, excluding the Free Trade and Industrial Zones

Authority: The Authority of each Free Trade and Industrial Zone of the Islamic Republic of Iran.

Zone: Each Free Trade and Industrial Zone of the Islamic Republic Iran.

Investment: The utilization of capital in different forms in any economic activity for the purpose of manufacturing goods and providing services.

Foreign Capital: All the types of capital mentioned in Article (3) of these Regulations (save Rial amounts) imported into the Zones by foreign investors.

Foreign Currency Capital: The capital mentioned in Article (3) of these Regulations (Save Rial amounts) that is imported into the Zones from outside the mainland by Iranian nationals.

Net Profits: The excess of realized income earned by an entity over expenses incurred in a financial period resulting from profit – making activities, identified and measured in accordance with generally accepted accounting principles.

.Article 2

All natural and legal persons and institutes, both Iranian and foreign, as well as international organizations, may either separately or jointly with the Authority and affiliates thereof or jointly with each other invest in the Free Zones in accordance with these Regulations; their accepted capital shall be subject to these Regulations.

.Article 3

For the purpose of these Regulations, capital shall comprise:

- Rial amount and foreign currency amounts convertible in the Zones (each Zone);
- Machinery, equipment, parts and tools;

- c. Industrial property rights including patents, technical know-how, trademarks and names;
- d. Land, air and sea-going vehicles related to the investment;
- e. All or part of transferable net profits generated in the Free Zones and added to the initial capital utilized in another authorized activity governed by these Regulations.

Note

In special cases, raw materials and semi-finished parts may, at the discretion of the Authority, be accepted as a part of foreign capital.

.Article 4

Capital shall be accepted and made subject to these Regulations under the following conditions:

- a. To be utilized in activities authorized by a Zone;
 - To complete the entire procedure for the grant of the investment permit mentioned in Article (6) and (7);
 - It does not involve the granting by the Authority to the investor of a concession or monopoly rights.

.Article 5

Foreign investors may invest in the economic activities of the Zone up to any ratio (of the amount of investment)

.Article 6

The investors mentioned in Article (2) of these Regulations that wish to import their capital in any of the Zones must submit to the Zone Authority their application together with a questionnaire (prepared by the secretariat and the Zone Authority and placed at the said investors disposal). Applications received in a Zone shall be examined by the Zone Authority and an investment

permit issued by the Authority of that Zone.

Note 1

Applications of foreign investors requesting for the guarantees and supports subject of the provisions of the Article 21 of the Law on the amended Law and Regulations on the Administration of Free Trade- Industrial Zones of the Islamic Republic of Iran shall be verified by a committee consisting of the representatives of the High Council of the Free Zones (acting as the chairperson), the Investment, Economic and Technical Aids Organization (Ministry of Economic Affairs and Finance) and the Management and Planning Organization.

The investment permits shall be granted to the applications upon the proposals of the above-mentioned Committee and approval of the majority ministers being members of the High Council of Free Zones. Alterations to the contents of the questionnaire and the investment permit may only be made with the knowledge and, where necessary, approval of the Zone Authority.

Note 2

Any alterations to the content of questionnaire thereto the investment license shall be upon the acknowledgement and discretion of the relevant Zone Authority, and the approval of the license issuance Authority.

Note 3

Exploitation of any activity subject to the investment license shall be upon the exploitation license issued by the Zone Authority

.Article 7

Within the period specified in the investment permit, the holder of an investment permit must import into the Zone a set percentage of the capital in order to commence implementation of the activities mentioned in the investment permit.

.Article 8

The importation and registration of capital in Free Zones shall be undertaken in the following manner:

(1) The Capital mentioned in Article 3 (a) of these Regulations shall be deposited in the bank (or authorized credit institute) account of the entity in which the investment is to be made and, after computation of the Rial or foreign currency countervalue, as the case may be, at the date of the deposit and in accordance with the certificate of the bank (or the authorized credit institute), registered as the capital of the investor in the register of the Zone Authority.

- The capital mentioned in Article 3 (b) and (d) of these Regulations and as specified in the investment permit and evaluated as per their CIF value evidenced by documents and relevant invoices shall, after review by the Zone Authority, be converted; the foreign exchange value thereof and, concurrently, its Rials equivalent (at the current rate of exchange posted in the Zone) shall be registered as of that date as the capital of the investor in the register of the Zone Authority.
- The capital mentioned in Article 3 (c) of these Regulations shall, after its evaluation has been confirmed by the Zone Authority, be registered as capital in the register of the Authority. Allocation of the value of the technical know-how to the capital account shall be concurrent with the transfer of said technical know-how.
- The capital mentioned in Article 3 (e) of these Regulations shall, after confirmation by an auditing firm acceptable to the Zone Authority, be registered as capital in the register of the Zone Authority in the following manner:
 - After obtaining the approval of the Authority, with the aim of increasing the capital to expand investment in the same entity;
 - After obtaining the approval of the Authority, with the aim to expend investment in activities other than activities for which permission has been granted.
 - After following the procedure set forth in Article 6 of these Regulations, if the aim is to invest in activities other than the activity for which the investment permit was issued.
 - Whenever all or part of imported capital in kind is deemed in the judgment of the Authority as defective, damaged or useless, or do not conform with the specifications declared in the application, or whose

declared value exceeds its real value, such portions of its price are not confirmed by the Authority and shall not be carried into the capital account.

- In cases where capital goods mentioned in Article 3 (b) and (d) of these Regulations belonging to foreign investors were previously used on the Mainland and transferred to the Zones with the authorization of relevant Mainland authorities, the transfer of such goods shall be deemed as a transfer of domestic capital and shall be subject to the provisions of these Regulations.

.Article 9

Investors may insure the capital they import into the Zones. If, pursuant to the occurrence of a contingency, an insurance company becomes the subrogate of the investor in accordance with the insurance policy, such subrogation by virtue of payment of compensation to the insures shall be recognized; however, it shall not be deemed as an assignment of capital.

.Article 10

The capital of foreign investors, brought in to the Zone in accordance with the provisions of the article 6 of the statutory regulations, shall be supported by these regulations and enjoy the due advantages and facilities

Note

In case, the capital of foreign investors which are accepted in the line with the provisions of the Note 1 of the article 6 of the statutory regulations, with the approval of the majority of ministers being the members of the High Council of Free Zones, are nationalized in the public interest by law or if the due investors are dispossessed of their ownership rights, the due just reparations shall be born by the Government of the Islamic Republic of Iran. The payment of compensation shall be on the market value basis of the due investments at the immediate time before nationalization or the dispossession of ownership, and the compensation demand shall be submitted by the due foreign investor to the Authority within three months from the date of nationalization or the ownership dispossession

.Article 11

Each year, all entities set up in a Zone pursuant to investment permits must communicate to the Authority a report on their operations and their financial accounts; the financial accounts must be confirmed by an auditing firm acceptable to the Authority.

.Article 12

Repatriation from the Zones of net profits, the initial capital and gains resulting from economic activities undertaken with foreign capital and foreign currency capital as well as the proceeds of the sale or transfer of these types of capital is permitted.

Upon the request of such investors, and after verification that the amounts for which repatriation from a Zone is requested result from utilization of the investors registered capital in the activity specified in the investment permit, and after ensuring that the circumstances set forth in the following Note have been taken into account, the Zone Authority shall issue the necessary authorizations within one week from date of receipt of the said request.

Note

In its review, the Zone Authority must take into account whether the investor may benefit from the tax exemptions mentioned in Article 13 of the Law on the Administration of the Free Zones and whether the amounts for which repatriation is requested are net amounts.

.Article 13

Payments of installments of the principal of loans and related expenses, as well as payments pursuant to patent, technical know-how, technical assistance and engineering, trademark, management and similar contracts are authorized if the authority is informed and if they are made within the framework of investment projects based on relevant contracts and financial statements.

.Article 14

Investors may transfer their share of stock to other investors with the authorization of the Zone Authority. In such case, the transferee shall be deemed in every respect the successor of the original investor.

.Article 15

The transfer of capital from one Zone to another Zone shall be subject to the investment regulations of the Zones from which the capital departs and in which it enters.

.Article 16

Disputes between foreign investors and Iranian parties shall be settled in accordance with contracts and written agreements.

.Article 17

If the foreign capitals belong to the foreign governments, these shall, subject to the commercial laws and regulations, be considered as private capitals and do not maintain diplomatic immunities