

Foreign Investment Manual

The government of I.R. Iran welcomes foreign investments and urges all the foreign investors to attentively peruse [Iran's Foreign Investment Promotion and Protection Act \(FIPPA\)](#) and its executive bylaws to know their own rights and be informed of the facilities and protections they may enjoy as well as the legal obligations and requirements caused by investing in Iran.

In this manual, first the process of looking into the applications by foreign investors to the Investment Organization of Iran is briefly discussed. Then, some articles from FIPPA and its bylaws, referring to guarantees given to the investors, their rights, facilities granted, the protection extended as well as their commitments and obligations will be offered. The last section is devoted to entry and registration procedures for foreign investments once the investment permit is issued.

1- The process of examining the applications by foreign investors to the investment organization of Iran up to permit issuance

The foreign investors who would like to make investments in Iran within the framework of Iran's Foreign Investment Promotion and Protection Act (FIPPA), need to first fill out a special form (to be obtained either in person or on-line at www.investiniran.ir) and submit it to the organization. The application is presented by the Investment Organization to the Foreign Investment Council and will be pursued until a permit is issued.

Choosing the form depends on the type of the foreign investment and the agreement concluded between the parties (domestic and foreign investors). The form has to be submitted in English except for when the investor is an Iranian expatriate or from Persian-speaking countries like Tajikistan or Afghanistan.

2- Guarantees and protections:

- Foreign Capital is guaranteed against nationalization and expropriation, and in such cases the Foreign Investor shall be entitled to receive compensation (Article 9 of the FIPPA).
- Should laws or government regulations lead to prohibition or cessation of approved financial agreements within the framework of this Act, then the government shall procure and pay the resulting damages (Article 17 of the FIPPA & Article 26 of the bylaws).
- The purchase of goods and producer services of the foreign investment is guaranteed in cases where a state-run organ is the only buyer or supplier of a product or producer service at a subsidized price (Article 11 of the bylaws).

Rights and facilities:

- Foreign investments subject to this Act shall enjoy the same rights, protections and facilities available to domestic investments in a non-discriminatory manner (Article 8 of the FIPPA).
- The Foreign Investment and its profits may be transferred in foreign currency or goods (Articles 13-18 of the FIPPA).
- Acceptance of foreign investments in all the production, industrial, agricultural, transportation, communications, and services fields as well as in fields related to water, power, and gas supply and energy fields
- The possibility of the referral of investment-related disputes to international authorities (Article 19 of the FIPPA).
- The possibility of land ownership in the name of the company (registered in Iran) in joint ventures (Article 24 of the bylaws).
- Issuance of visas for three years in Iran for foreign investors, managers, experts and their immediate family members and the possibility of visa renewals (Article 20 of the FIPPA & Article 35 of the bylaws).
- The investors are notified of the final decision regarding their applications within at most 45 days (Article 6 of FIPPA)

- Having a choice to choose the investment method in the project as FDI or Foreign Investment in all sectors within the framework of “Civil Participation”, “Buy-Back” and “Build-Operate-Transfer” (BOT) schemes (Article 3 of FIPPA).
- Acceptance of investments by any natural or legal non Iranian or Iranian person utilizing capital of foreign origin and granting the facilities envisaged in FIPPA to them (Article 1 of FIPPA).
- The foreign investor must choose an audit institute out of the audit institutes recognized by the Association of the Official Auditors of Iran to substantiate their financial and annual reports (Articles 1, 22-23 of the bylaws).

3- Legal commitments and obligations of the investors

- Applications of Foreign Investors in respect of issues such as admission, importation, utilization and repatriation of capital under the FIPPA shall be submitted to the Organization shall only be submitted to The Organization and followed up through it (Article 5 of FIPPA).
- The Organization should be notified of any changes in the name, address, legal shape, or nationality of the foreign investor or of changes of more than 30% in his/her ownership (Article 33 of the bylaws).
- It is necessary for the investor to notify the Organization of the transfer of all or part of his/her Foreign Capital to other investors. In case of transfer to another foreign investment, it is needed to obtain the approval of the Council and the permits from the Organization (Article 10 of FIPPA).
- All the applications of the foreign investor for transferring the profit, capital and the proceeds from the increase in the capital value under FIPPA must be submitted to the Organization accompanied by the report of the audit institute that is recognized by the Association of the Official Auditors of Iran (Articles 22-23 of the bylaws).
- The investor is obligated to bring a portion of the capital into Iran to implement the approved project over the period of time specified by the foreign investment license which is usually 6 months. Otherwise and in order to extend the validity of the license and prevent it from being revoked, the investor is required to submit his/her reasons and justifications for the delay to the Organization (Article 32 of the bylaws).
- The foreign investor is required to announce the entry of its capital including cash and non-cash items to the Organization within the framework of the license issued for the foreign investor so that they will be registered in the Organization and subjected to FIPPA. Failure to register the entered capital is tantamount to not being covered by the FIPPA. (Article 11 of the FIPPA & Article 24 of the bylaws)
- The Iranians who intend to utilize capital of foreign origin in Iran and wish to be subjected to FIPPA must be involved an economic and trade activities abroad and need to submit the relevant documents to the Organization (Article 5 of the bylaws).
- Acceptance of foreign investments in the existing Iranian enterprises and economic companies (purchase of shares) is possible provide that added value is created in that economic unit after the purchase of shares.

4- Other advantages and facilities:

- Foreign investors can supply a portion of their capital from domestic and international sources as loans. Needless to say, the borrower will have to guarantee the repayment of the loans received.
- Foreign capitals can enter the country as cash currency, machinery and pieces of equipment, raw materials, technical know-how, and other forms of intellectual property and they will be promoted and protected.
- 80% of the incomes made by the producer and mineral units based in lesser developed zones will be exempt from tax for 4 years.
- 100% of the incomes made by the producer and mineral units based in lesser developed zones will be exempted from tax for 10 years.
- Tourist installations are exempt from annual tax for 50%.
- 100% of the income generated by the exporting industrial and agricultural, conversion industries goods and their completion are exempt from tax.
- 50% of the incomes generated by exporting goods aimed at developing the non-oil exportations are exempt from tax.
- 100% of the incomes generated by exporting transit goods are exempt from tax.
- Re-investments made by cooperative and private companies aimed at developing, restoring and completing industrial and mineral units will be exempt from tax for 50%.