

Unofficial Translation

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Ministry of Economic Affairs and Finance

The Council of Ministers in their meeting dated 24/6/1381[15 September 2002] considering the proposal number 29778 dated 23/5/1381[15 August 2002] of the Ministry of Economic Affairs and Finance and in compliance with Article 25 of the Foreign Investment Promotion and Protection Act -- ratified in 1381 [2002] -- has issued the implementing regulations of the said law as follows:

**IMPLEMENTING REGULATIONS OF
THE FOREIGN INVESTMENT PROMOTION AND PROTECTION
ACT**

Chapter One
Definitions

Article 1 – All terms and expressions that have been defined in Article 1 of the Foreign Investments Promotion and Protection Act (“Act”) shall have the same meaning in these Regulations.

Other terms and expressions used in these Regulations shall have the following meaning:

- a. *Regulations:*** The Implementing Regulations of The Foreign Investments Promotion and Protection Act.
- b. *Investment Project Firm:*** A newly established or existing Iranian Company in which the Foreign Capital has been utilized through one of the mechanisms prescribed in the Act.
- c. *Non-governmental Sector:*** Private and cooperative sectors, and non-governmental public institutions and organizations
- d. *Center:*** Foreign Investment Services Center, which is to be established pursuant to Article 7 of the Act at the premises of the Organization [OIETA]
- e. *Official Monetary Network of the Country:*** Banking System (Central Bank and the banking network, both governmental and non-governmental) and non banking credit institutes engaged in monetary and foreign currency activities with approval of the Central Bank.
- f. *Audit Institute:*** A nominated auditing institute selected by the Organization from the auditing institutes member of Iranian Chartered Accountants Society subject of the Law of “Utilizing Professional Services of Competent Accountants as “Official Accountants” (1993) and Auditing Organization.

Chapter Two
Method and Criteria for Admission

Article 2 – Foreign Investments, which are admitted based on the Foreign Investments Promotion and Protection Act in the territory of Islamic Republic of Iran shall benefit from the facilities and protections stated in the Act. The admission of such investments is subject to the general conditions for admission of Foreign Capital and is contingent upon submission of written application by the Foreign Investor in compliance with the criteria and requirements stated in these Regulations.

Article 3 – The admission of Foreign Investment must conform with the Act as well as the criteria provided in these Regulations and is possible within the framework listed below. A chart of methods of Foreign Investment, specifications and facilities available within the framework of the Act shall be prepared and announced by the Ministry of Economic Affairs and Finance.

a. Direct Foreign Investment

b. Foreign Investment within the framework of contractual arrangements including various schemes of “build, operate and transfer,” “buy-back,” and “civil partnership.”

Article 4- The methods subject of Article 3 of these Regulations in respect of the manner of investment and protection coverage under the Act and Regulations share the following common and/or distinctive characteristics and facilities:

a. Common Characteristics and Facilities:

1. Foreign Investors shall be subject to the same treatment as domestic investors.
2. The import of foreign cash and in kind capital shall only be based on an Investment License and no other permits required. .
3. The amount of Foreign Investment in each case is not subject to any limitation whatsoever.
4. Foreign Capital shall be guaranteed against nationalization or expropriation, and the Foreign Investor in such cases shall be entitled to receive compensation.
5. The transfer of the principal of capital, profits of capital and benefits derived from the exploitation of capital is possible in the form of foreign currency or, as the case may be, in the form of commodities as provided for in the Investment License.
6. The freedom of exportation of commodities produced by the Investment Project Firm is guaranteed and in case of export prohibition, the produced commodities shall be sold in the country and the revenue can be transferred abroad in the form of the foreign currency and through the Official Monetary Network of the Country.

b. Distinctive Characteristics and Facilities:

1. Direct Foreign Investment:

1.1. Investment is authorized in all fields where private sector activity is permitted.

1.2. There is no limitation as to the percentage of Foreign Investment participation.

2. Investment within the framework of contractual arrangements:

2.1. The government guarantees compensation for losses sustained by Foreign Investment resulting from prohibition or cessation of execution of financial agreement due to enactment of law or government decisions, up to the ceiling of the due installments.

2.2. In the “build, operate and transfer” and “civil partnership” schemes purchase of the commodities and services of the investment project by the government organization party to the contract is guaranteed, within the framework of legal regulations, when the government organization is the exclusive/sole purchaser or where the government organization supplies the mentioned goods and services at subsidized rate.

Article 5 - Natural and legal Iranian persons applying for investment in the country, in order to benefit from the facilities and protections of the Act, must submit documentation substantiating economic and commercial activities abroad.

Article 6 – Foreign Investors that have previously invested in Iran without the protection of the Act, can by following the procedure for admission, obtain protection under the Act for the principal of the investment made. Subsequent to the issuance of the Investment License, the investor shall enjoy all the benefits of the Act including the provisions for transfer of profits. Such investments are generally viewed as existing investment and shall be subject to the general provisions of Foreign Capital admission.

Article 7 – Foreign Investment in existing economic units, through acquisition of shares and/or increase of capital and/or a combination thereof, after passing the admission process, shall benefit from the benefits of this Act on condition that such investment generate added value . The new added value may result from an increase in the capital of the economic unit and/or materialization of objectives such as management promotion, export development and/or improvement of the level of technology in the existing economic unit.

Article 8 – The Board, when assessing each case of Foreign Investment application and issuing Investment License, shall examine and verify the ratios set forth in Clause D of Article 2 of the Act, based on the following criteria:

- a. Specifications of the proposed project including type and quantity of production of goods or services, execution and exploitation time schedules of the project, forecast of domestic sale or export abroad must be reflected in the investment application forms.

- b. Official statistics of competent authorities regarding the value of goods and services supplied in the domestic market at the time of issuance of the Investment License, in the relevant sector and sub-sector, shall be obtain by the economic affairs deputy of the Ministry of Economic Affairs and Finance. The basis of the decisions of the Board shall be the statistics provided to the Organization by the said deputy minister before the end of the first quarter of each year.
- c. Classification of the sectors and sub-sectors shall be based on the tables attached to these Regulations.
- d. The amount of investment in each sector and sub-sector, with due regard to the provisions of clauses a, b and c of this Article, and considering the value of the goods and services supplied to the domestic market and observing the exemption of investment limitations for exportation of goods and services, shall be determined by the Board and in case of approval of the project, the Investment License shall be issued.

Note – Changes in the ratio of value of goods or services produced from Foreign Investment and/or the changes in the value of the goods or services supplied in the domestic market, that at the time of issuance of Investment License has formed the basis of the decision of the Board, after issuance of the permit shall have no effect on the validity of the Investment License.

Article 9 – Transfer of proprietary rights to the Iranian party identified in the contracts of “build, operate and transfer” shall, based on the agreement of the contractual parties, be possible through gradual transfer of proprietary rights during the contract period or transfer of the acquired rights in whole at the end of the contract period.

Article 10 – In the “build, operate and transfer” contracts, transfer of proprietary rights of the Foreign Investor to the institution providing financial resources to the project subject of investment is possible upon approval by the Board.

Article 11 – Concerning that group of investment projects where a government organization is the exclusive purchaser of goods and services produced and also in cases where the goods and services produced by the investment project are supplied at subsidized rates, the government organization can guarantee the purchase of the goods and services based on the amount and price specified in the relevant contract within the framework of laws and regulations.

Chapter Three **Admission Regime**

Article 12 – The Organization while carrying out its duties relating to admission and protection of Foreign Investment within the framework of the Act, is responsible for rendering and directing activities concerning promotion of foreign investment inside and out of the country as well as introducing legal grounds and investment opportunities, undertaking research and practical studies, holding conferences and seminars, mutual cooperation with related international institutions and organizations, contacting and coordinating with other organs for gathering, compiling and providing information related to Foreign Investment.

Article 13 – The Board is responsible for reviewing and deciding on all investment applications including applications for admission, entry and use of Foreign Capital as well as repatriation of capital and accrued profits.

Article 14 – The permanent members of the Board are the four deputy ministers identified in Article 6 of the Act and the meetings of the Board will have a quorum with the presence of at least three permanent members and decisions must be made with at least three positive votes. The deputies of other relevant ministries, upon the invitation of the chairman of the Board and with the right to vote, can participate in the meetings. In such cases, the decisions are made by the majority of votes cast.

Article 15 – Investors shall submit to the Organization their written application together with the documents specified in the related form. After conducting the necessary review and obtaining the opinion of the related sector's ministry, the Organization shall submit for discussion to the Board the investment application along with its expert opinion within a maximum of 15 working days. Failure by the relevant ministry in responding and providing its opinion within 10 days from the receipt of the inquiry shall be regarded as approval of the investment by that ministry. Based on the decision made, which must be accepted by the Foreign Investor in advance, the Investment License shall be prepared and issued following confirmation and signature of the Minister of Economic Affairs and Finance.

Note: The Investment License shall include the details of the investors, the type and method of Foreign Investment, manner of transfer of profit and proceeds and other terms and conditions relating to approval of the investment project.

Chapter Four **The Foreign Investment Services Center**

Article 16 – In order to facilitate and expedite the exercise of the Organization's legal duties in the fields of promotion, admission and protection of Foreign Investments in the country, the Foreign Investment Services Center shall be established in the Organization's premises with the representatives of the relevant organizations. This Center shall be the focal point of all referrals of foreign investors to relevant organizations.

Article 17 -- The Ministry of Economic Affairs and Finance (State Taxation Affairs Organization, Customs Office of the Islamic Republic of Iran), Ministry of Foreign Affairs, Ministry of Commerce, Ministry of Labor and Social Affairs, Ministry of Industries and Mines, Ministry of Agriculture Jihad, Central Bank of the Islamic Republic of Iran, General Bureau of Companies and Industrial Ownership Registration, Environment Protection Organization and other executive agencies determined by the Minister of Economic Affairs and Finance shall introduce their fully authorized representative to the Organization with the signature of the highest executive authority of that agency.

The mentioned representatives in regards to employment regulations are deemed as employees of their own respective agencies, and in accordance with the needs and volume of request of foreign investment and investment centers, upon request of the

Organization will be present in the Center in a manner enabling them to, in compliance with the duties conferred to them under this Article, respond to requests.

Article 18 - Representatives that are introduced by the relevant agencies, shall carry out all executive affairs and services relating to that agency concerning foreign investment. The relevant executive agency is under the obligation, in order to facilitate the duties conferred to the representative pursuant to the Act and Regulations, communicate to all its affiliate departments the duties, obligations and authorities of its representative and at the same time revise the process of executive affairs concerning foreign investment in its area of authority in a manner to facilitate the duties of its representative in the Center.

Article 19 - The relevant executive agencies, in order to maintain continuity of their executive activities and services in the Center shall take measures to, in addition to the introduced representative, introduce another person with the same characteristics to substitute and perform the duties of a representative who is absent. Where necessary, the executive agency may appoint a maximum of two people at the level of expert in the Center for carrying out the executive affairs related to that agency.

Article 20 - The duties of the Center of Foreign Investment Services are as follows:

1. Relaying information and necessary advice to the Foreign Investor.
2. Making the necessary coordination related to securing the required permits such as establishment licenses, permission of Environment Protection Organization, licenses related to water, electricity, gas, telephone subscription, mining exploration and exploitation licenses, etc. from the relevant organizations before issuance of Investment License.
3. Making the necessary coordination for the affairs related to issuing visas, residence permits and employment permits for persons connected with Foreign Investment.
4. Making the necessary coordination in the affairs related to Foreign Investment after issuance of Investment License, including registration of joint venture, placement of orders, entry and repatriation of capital, customs and taxation affairs, etc.
5. Making the necessary coordination through representatives of agencies between different executive divisions of their relevant agencies, in relation with Foreign Investment applications.
6. Supervising the proper execution of decisions made in relation to Foreign Investments.

Chapter Five **Regulations on Entry, Valuation and Registration of Foreign Capital**

Article 21 – Arrangements relating to entry, valuation and registration of both in-cash and in-kind Foreign Capital is as set out below:

A. Capital in Cash

1. Foreign currency in cash, subject of Clause A of Article 11 of the Act, which is imported into the country in one or several stages with the purpose of conversion to Rials, on the date of conversion into Rials, based on a bank certificate, shall be registered under the name of the Foreign Investor by the Organization and will fall under the ambit of the Act. The Rial equivalent of the imported currency will be either deposited into the account of the Investment Project Firm and/or the account of the investment project.

2. Foreign currency in cash, subject of Clause B of Article 11 of the Act, which is imported into Iran in one or several stages but is not converted to Rials will be deposited to the foreign currency account of the Investment Project Firm or to the account of the investment project. Such amounts will be registered under the name of the Foreign Investor and will be under the ambit of the Act as of the date of deposit. The mentioned amounts will be utilized for foreign purchases and orders related to the Foreign Investment and will be under the supervision and confirmation of the Organization.

Note: The Official Monetary Network of the Country shall in relation to the transfer of currency relating to Foreign Investment, certify directly to the Organization the details including the name of the transferor, amount of currency, type of currency, date of receipt, conversion date, name of the Investment Project Firm and the equivalent Rial amount of the imported currency in case of conversion.

B. Capital in Kind

Foreign in kind capital includes those mentioned in Clauses B, C and D under the definition of Foreign Capital in Article 1 of the Act and the procedure for its entry, valuation and registration is as follow:

1. In case of foreign in kind capital items subject of Clauses B and C above, (including machinery, equipment, spare parts, CKD, raw material, additives and supportive materials), the Ministry of Commerce shall, following approval by the Organization for importation of such capital items, act to effect statistical placement of orders and communicate the case to the relevant concerned customs office for valuation and clearance of the imported items.

The valuation of Customs in reference to the value of the imported items is recognized as the acceptable valuation and upon the investor's request, the cost of valuation as stated in the import permit in addition to transportation and insurance costs, will be registered in the name of the Foreign Investor and will be under the ambit of the Act as of the date of clearance. In case of inconsistency between the customs valuation and the price mentioned in the detailed list issued by the Board, the customs valuation shall form the basis for registration of Foreign Capital in the Organization and General Bureau of Companies and Industrial Ownership Registration.

Note 1 – The Ministry of Commerce and the Organization shall, within a period of one month as of the date of notice of these Regulations, prepare a special sample form for the statistical registration of order for foreign in kind capital items subject of this Article and act on that basis.

Note 2 – The Islamic Republic of Iran Customs Office is required to appraise second hand machinery and equipment concerning Foreign Investments on the basis of their second hand price.

Note 3 – If it is established that the in kind Foreign Capital entering the country is defective, faulty, not usable or does not comply with the specifications stated in the approved list of the Board, the matter will be brought before the Board and the value of that portion of the goods entered and not approved by the Board will be deducted from the imported capital account.

2. In relation to the capital items subject of Clause D of Article 1 of the Act (consisting of patent, technical know-how, trade names and trademarks and professional services), the Organization, after necessary studies, will submit a report to the Board in relation to the performance of contractual undertakings subject of technology and services contracts and thus the approved amounts shall, within the framework of a directive to be drafted by the Board and approved by the Minister of Economic Affairs and Finance, be approved by the Board under the title of foreign investment and shall be protected.

Chapter Six **Regulations on Repatriation of Capital and Profits**

Article 22 – All applications resulting in the transfer of Capital, profits and proceeds derived from the increase of the value of Capital value subject to the Act shall be supported by a report of an Audit Institute member of the Iranian Certified Accountants Society. Such transfers will be possible after withholding all the legal deductions to the extent determined by the mentioned Audit Institute.

Article 23 – Transfer of the principal Capital and its profits and proceeds derived from increase of the value of the Capital with respect to type of investment mentioned in Clause A, Article 3 of Act is permissible in the form of foreign exchange, and/or upon the request of the Foreign Investor, through export of authorized goods. The repatriation of Capital and its profits with respect to type of investments mentioned in Clause B Article 3 of the Act is permissible in the form of foreign exchange earned from export of goods or services offered by the Investment Project Firm and/or export of other authorized goods. The Board, based on the report of Audit Institute regarding the most recent condition of the principal Capital, amount of profit and capital earnings belonging to Foreign Investor, will issue on a case by case basis, the license for export of such proceeds.

Note: With respect to investments subject of Clause B of Article 3 of the Act, in cases of prevention of exports, if in the opinion of the Board the procurement of the foreign currency for the relevant transfers is necessary, the relevant foreign currency will be obtained and supplied through the banking system.

Article 24 – If the Investment License relates to Clauses B or C of Article 17 of the Act, the said license shall also be deemed as an export license and the Investment Project Firm can deposit the foreign currency earned through its exports in an escrow account in a domestic or foreign bank and, within the limits reflected in the Investment License, make direct withdrawals for payment to the Foreign Investor. Any foreign currency in excess of permissible withdrawals will be subject to the country's foreign currency regulations. In any case, the Investment Project Firm is obligated to, subsequent to the

relevant payments, deliver the export certificate and submit in writing other relevant circumstances to the Organization.

Article 25 – Foreign currency earned from export of Foreign Investment, within the limits prescribed by the Board, shall be exempt from any regulations limiting exports as well as foreign currency regulations including regulations obligating and undertaking the repatriation of export earned foreign currency to the country according to current or future government regulations.

Article 26 – In cases where legal limitations or acts by the government result in the Investment Project Firm being prohibited from exporting its products, until such time that the legal limitation or government action prohibits current exports, the mentioned firm is authorized to sell its production in the domestic market and in return for the Rial equivalent of the needed foreign currencies authorized in the Investment License, purchase and transfer the required foreign currency through Banking System or export authorized goods.

Article 27 – The funds permitted to be transferred pursuant to the Act, upon approval by the Board, shall be purchased and transmitted through the Banking System by the Foreign Investor and the Central Bank of the Islamic Republic of Iran shall supply the Banking System with the required foreign currencies for this purpose.

Article 28 – If a Foreign Investor does not to transfer abroad the transferable sums within a period of six months from the date of completion of related administrative formalities then the referred to sums will be excluded from coverage of the Act. Subject to approval of the Board the mentioned sums may continue to be under the ambit of the Act.

Article 29 – The Foreign Investor can, if so inclined and subject to the approval of the Board, use all or part of the transferable sums pursuant to Articles 13, 14 and 15 of the Act, for the purpose of increasing their investment in the same unit and/or after completion of legal formalities for obtaining an Investment License, utilize the sums in a new investment.

Article 30 – The government, with due regard to Article 138 of the Constitution of Islamic Republic of Iran, empowers those Minister members of the High Council of Investment to determine the limits of the commitments to be undertaken pursuant to Note 2 of Article 17 of the Act. The Board is authorized to determine the amount of the losses caused through prohibition or cessation of implementation of related financial agreements up to the ceiling of due installments within the limitation of acceptable undertakings set forth by High Council of Investment as stated in the Investment License.

The basis for decision making concerning the powers subject of this Article shall be affirmation by the majority of the minister members of the mentioned Council. The resolutions will be issued once certified by the President and in conformity with Article 19 of the Council of Minister's Internal Procedure.

Article 31 – If a Foreign Investor insures his investment and based on the provisions of the insurance policy, due to the payment to the investor for compensation for non commercial risks, the insurance firm substitutes the investor, the substitute shall enjoy the same rights which based on that payment of compensation is made. Such substitution

shall not be deemed assignment of capital unless, as the case may be, Articles (4) and/or (10) of the Act are complied with.

Chapter Seven
General Regulations

Article 32 – The Foreign Investor is obligated, from the date of notice of the Investment License, within a period to be determined by the Board with due regard to the circumstances of the project, undertake importation of part of the capital to the country to demonstrate its commitment for execution of the project. In case the investor fails to import part of the capital within the stipulated time frame and does not obtain an extension due to compelling reasons, the Investment License will be deemed null and void.

Article 33 – The Foreign Investor is required to inform the Board of any change in its name, legal form, nationality or change in its ownership in excess of 30%.

Article 34– At the discretion of the Organization, in cases where Foreign Investment results in the establishment of an Iranian company, ownership of land in the name of the company and proportionate to the investment project is authorized.

Article 35 – The relevant executive organizations including the Ministry of Foreign Affairs, Ministry of Interior, Ministry of Labor and Social Affairs and the Law Enforcement Force are required, at the request of Organization, to act for the issuance of visas, residence permits and issuance of work permits for foreign investor, directors, experts and their first degree relatives, in relation to the investments covered by the Act. The Ministry of Foreign Affairs is required, as the case may be, in relation to the issuance of visas comply with the following procedure:

- a. The Ministry of Foreign Affairs, upon confirmation by the Organization, shall announce to the missions of the Islamic Republic of Iran in foreign countries, the permission for issuance of multiple entry visas valid for three years and permitting stays of three months on each entry.
- b. After entering the country, the recommended persons can upon confirmation by the Organization refer to the Passport and Visa Office of the Ministry of Foreign Affairs and extend their residence permit for one year.

The extension of residence will take place by seal of “multiple visa valid for one year” so that the person is not required to obtain roundtrip visas.

Article 36 – The responsibility of the Organization in relation to public dissemination of information subject of Article (21) of the Act is limited to information that under business practice is capable of being published. The determination of whether the information is publishable rests with the Board.

Article 37 – The Organization and the Board are authorized, for the fulfillment of their obligations and duties provided for in the Act and Regulations, as the case may be, retain specialized professional consulting services of Audit Institute member of Iran Official Accountant Association and other private or cooperative qualified firms.

ATIEH ASSOCIATES

LAW FIRM

Article 38 – All the regulations included in the decrees of the Council of Ministers regarding foreign investment, which are in conflict with the provisions of these Regulations, are null and void as of the effective date of these Regulations.

First Vice President
Mohammad Reza Aref

**Sectors and Sub-Sectors Subject of Clause d of Article 2 of
The Foreign Investment Promotion and Protection Act**

Sector	Sub-Sector
Agriculture	<ul style="list-style-type: none"> - Cultivation and horticulture - Livestock, aviculture, silkworm, apiculture, hunting - Jungles, pastures - Fishery and breeding aqueous
Mining	<ul style="list-style-type: none"> - Crude oil and natural gas (exploration, extraction and transfer) - Other mines (exploration and exploitation and process)
Industry	<ul style="list-style-type: none"> - Food, beverage and tobacco industries - Textile, clothing and leather - Cellulose industry (wood, paper, ...) print and publication - Chemical industry, oil products, rubber and plastic - Non-metal mineral products except for oil and coal - Main metal industry - Machinery, Equipment, tools and metal products - Transport equipment industries and automotive - Electrical and electronic industry and manufacturing furniture and equipment (Radio, Television and other communication equipment) - Electrical and electronic industry and manufacturing furniture and equipment (not included in other categories including home equipment) - Medical, optic and precision tools industries. - Recycling Industries
Supply of water, electricity and gas	<ul style="list-style-type: none"> - Collection, purification, supply, transfer and distribution of water and sewage - Generation, transfer, and distribution of electricity - Refinement and distribution of natural gas
Constructions	<ul style="list-style-type: none"> - Construction of infrastructures - Construction of buildings and houses - Construction materials
Transportation and Communications	<ul style="list-style-type: none"> - Railways transportation - Road transportation - Pipe transportation - Water transportation - Air transportation - Support services - Post and telecommunication
Services	<ul style="list-style-type: none"> - Financial services (insurance, bank, ...) - Tourism - Public affairs - Urban services - Education and research - Other services (engineering, design, ...)