

Foreign Investment in Iran

Outlook of Iran Economy, Law, Incentives

**The Organization for Investment, Economic
and Technical Assistance of Iran
(OIETAI)**

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Outline



- **Policy for Attracting FDI**
- **Organization for Investment, Economic & Technical Assistance of Iran O.I.E.T.A.I**
- **Foreign Investment Services Center (FISC)**
- **“ Foreign Investment Promotion and Protection Act” (FIPPA)**
- **Foreign Investment Licensing Procedure**
- **Incentives of Investment in Iran (Tax, Custom, Free Zone, Special Economic Zones)**
- **Iran Bilateral Investment Treaties**
- **Success Stories (6 cases)**



The Policy



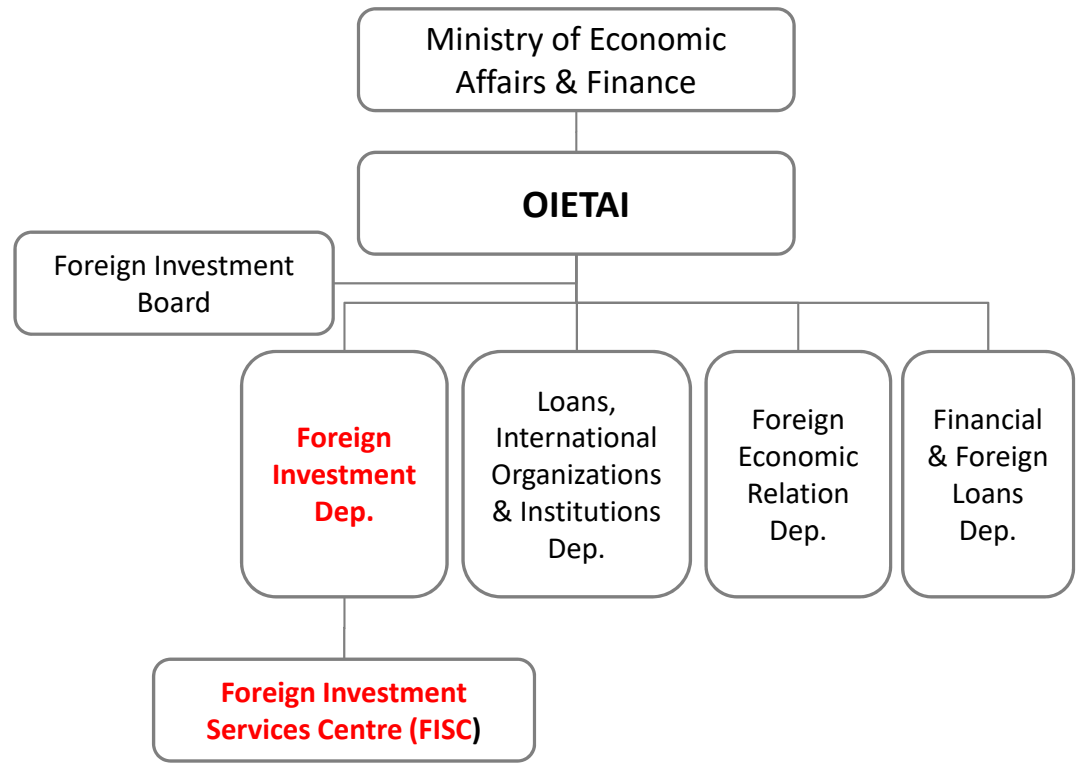
- **Contribution to Economic Development in Industry, Mining, Agriculture and Services**
- **Upgrading Technological & Management Skills**
- **Improving Products with High Quality and Competitive in International Scale**
- **Increasing Employment & Exports**
- **Sharing Benefits and Risks on Equal Term without Discrimination**



OIETAI



- **Founded in June 1975.**
- **The main official authority for the Promote and Protection of Foreign Investment in Iran.**
- **Investigation of all issues related to foreign investment such as:**
 - **Admission**
 - **Importation**
 - **Utilization**
 - **Repatriation**





Foreign Investment Services Center (FISC)

Established at OIETAI with objectives of:

- **Facilitating all Issues related to the admission and activities of FDI**
- **Facilitation of official procedures for required permissions and licenses**
- **Coordination with Executing Agencies Related to Foreign Investment**





FISC Members

from Relevant Executing Agencies





Key Services Offered by FISC

- Dissemination of information and provision of necessary **guidance** to foreign investors concerning investment in Iran.
- General **supervision** concerning the fulfillment of decisions surrounding foreign investment **projects**.
- Necessary **coordination** concerning the issues related to foreign investment including issuance of necessary permits from the relevant authorities, prior to the issuance of the investment license including:
 - the **declaration** of establishment
 - the **environment** protection license
 - the **permits for subscriptions** relating to water, electricity, fuel and telephone
 - the **license** for exploration and exploitation of mines, etc.





Continued

- Necessary coordination concerning issues related to foreign investment and proceedings for the issuance of the investment license including:
- registration of joint venture company
- registration of order for importation of machinery and equipments
- issues related to importation and repatriation of capital, customs and tax affairs, etc.



The Legislation



- The Foreign Investment Promotion and Protection Act (FIPPA):
 - Substitutes Former LAPFI
 - Ratified in 2002

- The Corpus:
 - Implementing Regulations of the FIPPA



Types of Investments



Direct Investment

(Equity Participation) in All Areas Open to Iranian Private Sector in Greenfield & Brownfield Projects

Investment through Contractual Arrangements

- Buy Back Arrangements
- Civil Partnership
- BOT Schemes





Features of Investment under FIPPA:

No Limitation on:

- Equity Percentage,
- Volume of Investments,
- Profit Transfer,
- Capital Repatriation
- Types of Capital Imported
- No Import / Export Restriction



Some other Features of FIPPA

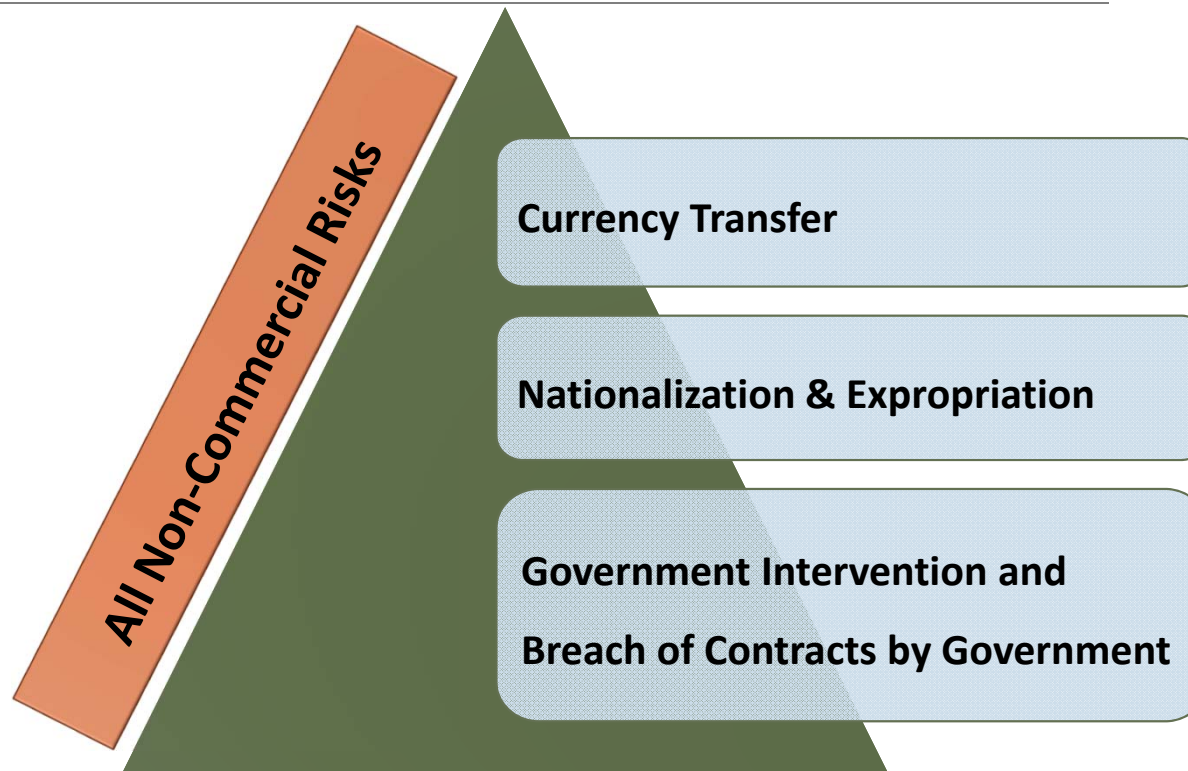


- Possibility of Investment by foreign Natural and Juridical Persons and Iranians Living Aboard
- **Equal Treatment** towards Foreign Investors as accorded to Local Investors
- Article 35 Services
 - 3 years Multi-entry Visa
 - 3 years Residence Permit
 - Work Permit



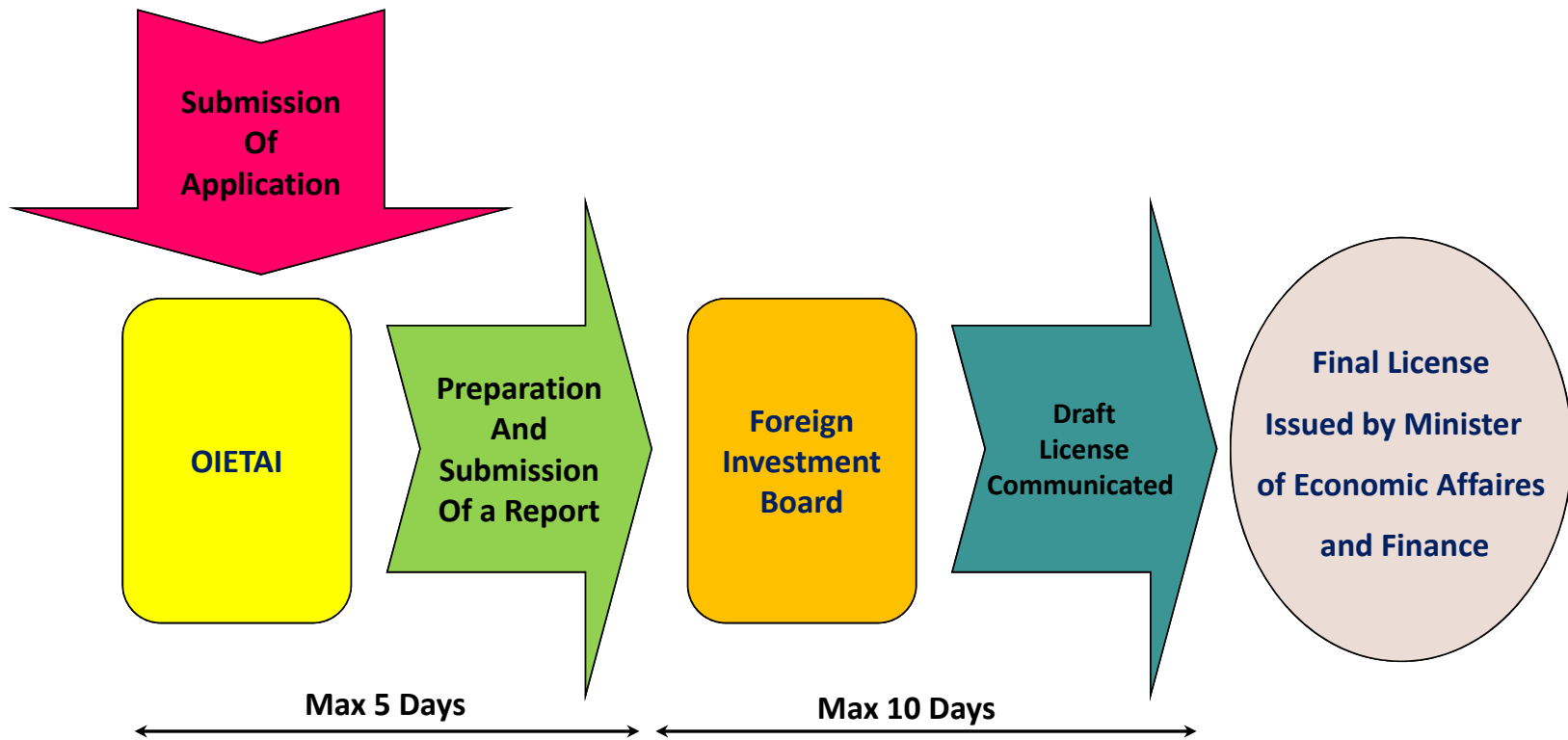


Risks Covered By FIPPA





Investment Licensing Procedure





Incentives and Benefits of Foreign Investment in Iran





Tax Incentives

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

Income Tax with Rate of 0.0%	Duration of Exemption
Industry, Mining & Services (Hospital & Hotels)	5 Years
Industry, Mining & Services (Hospital & Hotels) in <u>Industrial Parks and Especial Economic Zones</u>	7 Years
Industry, Mining & Services (Hospital & Hotels) in <u>Less Developed Areas</u>	10 Years
Industry, Mining & Services (Hospital & Hotels) <u>in Less Developed Areas</u> located at <u>Industrial Parks and Especial Economic Zones</u>	13 Years
100% of Income Derived Agricultural Activities	Perpetual
100 % of Income Derived From <u>Export</u> of Services ,non-oil goods, agricultural Products and 20% of Income Derived from <u>Export</u> of Non – Processed goods	Perpetual





Tax Incentives (Employment and JV)

- In companies with more than 50 employees, in case of increasing the employment volume up to 50% in comparison to last year, one-year exemption can be added to the duration of exemptions (mentioned in previous slide).
- In the case that foreign companies with reliable Brand produce goods using production capacity of Iranian companies and export at least 20% of total production, can enjoy 50% on Tax Rate for the income from sales of products **12.5 % instead of 25%** after the end of above duration.



Custom Exemption



- Import of Production Line Machineries and Equipment
- Import of Raw Materials used for Production of Export commodities
- Easy Circumstances & No Duty and Tax for Exportation of Products





Investment Incentives in Free Zones

- 7 free Zones in Iran
- 20 Years Tax Exemption for All Economic Activities
- No needed Visa for Entrance of Foreigners
- Custom Exemption for Raw materials and Industrial machineries of Producing units
- Possibility of Exporting Products to The Mainland
- Easy Circumstances for Re-export and Transit of Commodities



Industrial Parks



Industrial Parks and Areas provide the SMEs with:

- ✓ Infrastructures(water, electricity, communication wastewater treatment plants
- ✓ software supports by the Technology and Business Service Centers (TBSCs), training, renovation of industries and so on in a unified and concentrated form.





The Facilities Provided in Industrial Parks

- Natural Gas
 - Water and power supply
 - Prefabricated Industrial Workshops
 - Insurance Offices
 - ISIPO's assistance
 - Green space
 - Technology and Business Service Centers (TBSCs)
- Electricity, Telecommunication
 - Waste water treatments
 - Banks
 - Clinics,
 - Sport centers
 - Fire Station



Investment Facilities in Industrial Parks



- Preparation of suitable land for industrial projects in accordance with technical, engineering and new constructions methods
- No need for different permissions from various agencies and organizations
- Be exempted from the municipalities
- Easy and fast access to facilities such as roads, water, electricity, gas, sewage system, telecommunications and Internet.
- Use of software services from technology and business centers such as technical, engineering and management consulting
- Free of Charge services to take the construction permit and finish license
- Reduced investment costs due to the organized common services
- Rent/ purchase of ready-built Sites in order to accelerate the Project exploitation
- Payment of exploitation costs by cash and installment



Special Economic Zones



Special economic zones carry the following advantages in addition to benefitting the analogous infrastructures provided in industrial parks:

- ✓ Freedom of participation and investment for the domestic and foreign nationalities.
- ✓ Entry and exit of goods without customs duties and commercial interests for processing, production, conversion, completion, etc.
- ✓ Duty-free entry of goods made in the zone into the domestic market especially in terms of added value.
- ✓ Possibility to re-export, re-transit of goods without any customs formalities.
- ✓ Freedom of entry and exit of capital to the zone.
- ✓ Freedom of entry and exit of foreign goods from all origins into/out of the region.
- ✓ Possibility of converting and packaging of goods for re-export.
- ✓ Possibility of producing a variety of industrial products marketable in and outside the nation.
- ✓ Possibility of importing a percentage of production into the country without bureaucracy.



Iran Bilateral Investment Treaties



- Iran has signed its first Bilateral Investment Treaty with Germany in 1965, second BIT signed in the World.
- Since 1995, The Organization for Investment, Economic & Technical Assistance of Iran (O.I.E.T.A.I) has Negotiated & Signed 68 BITs with Different Countries from all over the World.
- Iran has Concluded BIT with Many Capital Exporting Countries such as: Austria(2001),China(2000),France(2003),Germany(2002),Italy(1999),Japan(2016),SouthKorea(1998),Singapore(2016),Spain(2002),Sweden(2005)Switzerland(1998)



International Treaties



➤ **Bilateral Investment Treaties (BIT)**

- BIT with 68 Countries
- Signed between Iran- Singapore in 2015

➤ **Double Taxation Treaty (DTT)**

- DTT with 42 Countries
- Signed between Iran- Singapore in 2015





Thank you

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