

REGULATIONS ON INVESTMENT

Article 1

In these Regulations, the following words are used in the place of the corresponding full terms:

Mainland: Zones	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 of Iran.
Investment:	the utilization of capital in different forms for 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 for the Rial amounts) imported into the Zones by foreign investors.
Foreign Currency Capital:	the capital mentioned in Article 3 of these Regulations (save for the 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 institutions, 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 purposes of these Regulations, capital shall comprise:

- (a) Rial amounts and foreign currency amounts convertible in the Zones (each Zone);
- (b) machinery, equipment, parts and tools;
- (c) industrial property rights including patents, technical know-how, trademarks and names;
- (d) land, air and sea-going vehicles relating to the Investment;
- (e) all or part of transferable net profits generated in the Free Zones and added to the initial capital or 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) it is utilized in activities authorized by a Zone;
- (b) it has completed the entire procedure for the grant of the investment permit mentioned in Articles 6 and 7;
- (c) it does not involve the grant by the Authority to the investor of a concession or monopoly rights.

Article 5

Foreign investors may participate 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 Authorities and placed at 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

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.

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 institution) account of the entity in which the investment is to be made and, after computation of the Rial or foreign currency counter value, as the case may be, at date of the deposit and in accordance with the certificate of the bank (or the authorized credit institution), registered as the capital of the investor in the register of the Zone Authority.

(2) 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 in total at date of customs clearance into a convertible foreign currency; 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.

(3) 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.

(4) 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:

(a) after obtaining the approval of the Authority, with the aim of increasing the capital to expand investment in the same entity;

(b) after obtaining the approval of the Authority, with the aim to expand investment in activities other than activities for which permission has been granted.

(c) 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.

(5) 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 to 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 shall be carried into the capital account.

(6) 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 insurers shall be recognized; however, it shall not be deemed as an assignment of capital.

Article 10

The legal rights of foreign investors are guaranteed and protected. In cases where the capital of foreign investors is nationalized by law in the public interest and/or said investors property is expropriated, fair compensation of damages shall be effected either by the Government in compliance with the “Law of Attraction and Protection of Foreign Investments” or by the Authority as required by the investor. In case the Authority is to compensate the damages, the investor must within a period of six months from date of the expropriation file with the Authority a request for compensation of damages incurred. The Authority shall evaluate at current prices the amount of damages incurred and within a period of three months pay compensation thereof. The Zone Authority may undertake the aforementioned guarantees through contractual arrangements with the Central Bank and other banks, credit institutions and insurance companies.

Note

In case the investors subject to this Article are inclined that the guarantee mentioned in the Law on Attraction and Protection of Foreign Investments (approved in 1334), to be fulfilled, their proposal of investment has to be submitted to the body subject to the Article (2) of above-mentioned law. Issuance of guarantee shall be allowed in compliance with the procedures and formalities defined in that Law.

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 request of such investors, and after verification that the amounts for which repatriation from a Zone is requested, results 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 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 shares 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.
