Tehran Chamber of Commerce, Mines, Industry and Agriculture (TCCIMA)

Quick Reference Tool for Investment Promotion

Tehran, 31 May 2016

1. Introduction

In order to contribute to attracting foreign investment to Iran, the Tehran Chamber of Commerce, Industry, Mines and Agriculture (TCCIMA) has set up a dedicated Investment Centre (IC). The IC aims to address unmet needs of investors, provide information for investment promoters to address international companies as well as strengthen the position of TCCIMA.
The present Quick Reference Tool is a customized document in addressing investor needs. It contains a Pitchbook with key facts and information which investment promoters will need to refer to in speaking with an investor (i.e. «Why invest in Iran?», chapter 2). In addition, it contains a Guidebook on selected key procedures and programmes (i.e. «How to invest in Iran?», chapter 3). As such, it acts as a source to allow IC staff to quickly answer investors› questions.
Main venues where information from the Quick Reference Tool can be used are investor events, conferences, meetings with investors as well as when answering phone calls from investors.
This Quick Reference Tool has been compiled in the framework of a one-month pro bono project between Roland Berger GmbH, a leading global consultancy, and the Tehran Chamber of Commerce, Industry, Mines and Agriculture (TCCIMA) with a view to operationalise an the IC at the TCCIMA.

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The content was developed by TCCIMA-affiliated experts under the guidance of Roland Berger, CMS Pars and Sabin Finance. It shall be considered as a living document that can be enriched and expanded as the IC becomes increasinglyoperational.

2. Pitchbook

In its current version, the Pitchbook contains investment-relevant information in the areas of labour market (chapter 2.1), skills (chapter 2.2), costs (chapter 2.3), banking and insurance (chapter 2.4), incentives (chapter 2.5), investment climate (chapter 2.6), investment track record (chapter 2.7) as well as economic risks (chapter 2.8)

2.1 Labour Market

2.1.1 Working Population

The total population of Iran is estimated at approximately 77.8 million people in 16-2015. One-third of the total population is in the age group of 35-20 year-olds. The total working age population of Iran associated with ages between 15 and 65 years is estimated at about 49.6 millions of people in 12-2011. In 2016-2015 the total working population of Iran is estimated at approximately 22 million people. Furthermore, the dependency ratio of Iran›s population is estimated at about

%44 in 12-2011, while this ratio is estimated at about %53.7 in Turkey in 2005. The dependency ratio is a measure showing the number of dependents (aged 14-0 and over the age of 65) to the total population (aged 64-15).
There are two specified opportunities in favour of economic growth in Iran's labour force. Firstly, Iran's demographic window has been opened in 2005 and will remain open for 4 decades, closing in 2045. The duration of Iran›s demographic window is longer than in countries such as Turkey and Iraq. That means a less dependent population to support and thereby special opportunity for economic growth. Secondly there is a high ratio of young people in the labour market (%25 for -20 29 year-olds) as an important contributor to labour force and the main driver of economic growth.
The participation rate of the +15 years old in Iran has been %16.4 for women and %73.1 for men.

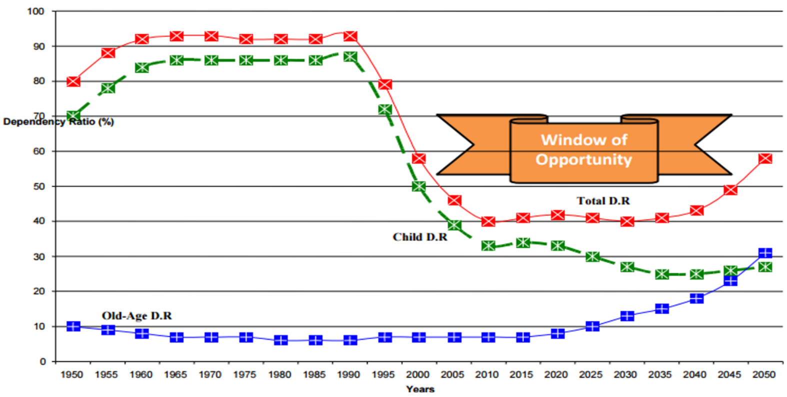


Figure 1: Total child and old-age dependency ratio in Iran, 1950-2050 (source: Hoss

2.1.2 Analysis of Workforce by Occupation

In 2012, the service sector had the highest share in employment by %47.2. Shares of industry and agriculture sectors in employment have been %33.4 and %19.4. The number of individuals employed in the industry sector has increased by %0.7 while the number of those employed in the services sector has decreased by %1.2.

The main employment sectors in 2016-2015 are:

- Agriculture: %18
- Manufacture: %32.5
- Services: %49.4

More than %81 of employees are working in higher value-added sectors; manufacture and services.

2.1.3 Age Breakdown of Working Population

More than %42 of the working population is located in the age-group of 35-20 year-olds. Iran›s demographic window has opened in 2005 and will be closing in 2045. The duration of Iran›s demographic window is higher than some countries such as Turkey and Iraq.
The age breakdown of the working population in 15-2014 is the following :

Share of Total Working Population [%]   Age group [years]

Age group [years]	Share of Total Working Population [%]
64-15	100
19-15	2.5
24-20	8.5
29-25	16
34-30	17.9
39-35	15
44-40	13.5
49-45	10.7
54-50	8
59-55	5.2
64-60	2.8

2.1.4 Unemployment Rate

Iran›s unemployment rate is estimated at 10.6 % in 15-2014 and %11 in 16-2015. The unemployment rate in Iran is not higher than in other countries of the region. The majority of unemployment in Iran is associated with higher levels of education.

2.1.5 Economic Activity Rate

Iran›s economic activity rate is estimated at %37.2 in 15-2014 and %38.2 in 16-2015. Iran›s economic activity rate is gradually growing up.

2.1.6 Availability of Recruitment Agencies

Public and governmental organisations usually hire by means of official ads. Furthermore, Iran›s Ministry of Labour and Social Affairs declares some new job opportunities on its website.
There are some public and private organisations in Iran which have been recruiting by their own different attitude.
Some renowned private organisations like «Iran Talent» provide facilities for recruitment in Iran. There is no limitation for establishing this kind of agencies in Iran and some current agencies have developed their services through IT tools.

2.1.7 Examples of Recent Recruitment Exercises

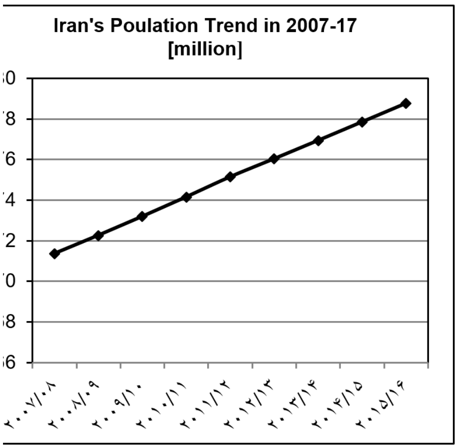
Some private companies provide a list of companies needing labour with different skills e.g. Banki.ir.

2.1.8 Population Trends

Due to the application of some measures controlling population growth in the last

decades, Iran does not have a high population growth.
The population trend in Iran from 17-2007 is the following:

Population		
Year	Iran	
	Annual growth [%] rate	Population
08/2007	71,366,189	1.23
09/2008	72,266,219	1.26
10/2009	73,196,424	1.29
11/2010	74,157,377	1.31
12/2011	75,149,669	1.34
13/2012	76,038,000	1.18
14/2013	76,942,000	1.19
15/2014	77,856,000	1.19
16/2015	78,773,000	1.18
17/2016	79,686,000	1.16



2.2 Skills

2.2.1 Professional / Technical Skills

More than %14 of employees are working in the professional and technical and associate professional field.

2.2.1.1 Breakdown of Workforce by Educational Qualifications

Main Fields (ISCO)	Share of Total Employed [%]	Number of Employed Population [Thousand]
Legislators, senior officials and managers	618	2.9
Professionals	1,939	9.1
Technicians and associate professionals	1,087	5.1
Clerks	1,001	4.7
Service workers and shop and market sales workers	2,706	12.7
Skilled agricultural and fishery workers	3,089	14.5
Crafts and related trades workers	4,090	19.2
Plant and machine operators, assemblers and drivers	2,642	12.4
Elementary occupations workers	3,643	17.1
Others and not stated	469	2.2

The fields with the highest number of employed population are ‹Crafts and related trades workers›, followed by ‹Elementary occupations workers› and ‹Skilled agricultural and fishery workers›.

2.2.1.2 Universities & Colleges and Specific Courses Available

The broad field of study in Iran›s universities include: Medicine, Humanities, Basic sciences, Technical and Engineering, Agriculture, veterinary and Arts.

2.2.1.3 Universities/Colleges

There are 46 public universities and some private universities which have 2 overseas branches in the United Arab Emirates and Germany.

2.2.1.4 Educational Achievement at Second and Third levels

Age group [years]	Number of Students [million]
Pre-primary school	0.7
Primary school	7.2
Lower secondary school	2.7
Upper secondary school	3.6
Associate's	1.1
Bachelor's	3.0
Master's	0.6
Professional doctorate	0.1

2.2.1.5 Percentage Going to Third Level Education

Over 870,000 candidates have participated in Iran›s state university entrance exam in 16-2015. Over the academic year 14-2013 (academic year 93-1392), there have been over 738 thousand graduates of the universities and higher education institutes in Iran.
The following table shows the number of graduated students in the various levels of education:

Age group [years]	Number of Graduated [thousand]
Associate's	183.8
Bachelor's	445.0
Master's	96.7
Professional doctorate	12.5
Total	738

There have been 947 graduates per 000 100 people in year 14-2013 (academic year 93-1392).

2.2.1.6 Breakdown of Types of Third Level Courses by Discipline

There have been 617 students in 3rd level per 100,000 people in the year 14-2013 (academic year 93-1392). There have been 947 graduates per 100,000 inhabitants in 14-2013 (academic year 93-1392).

Iran is the third country in the world with the most graduates in engineering, manufacturing and construction after the Russian Federation and the United States. That is equal to 233 thousand graduates which is more than 74 thousands of Turkey.

Main Fields	Number of Educates [thousand]
Medicine	32.5
Humanities	318.4
Basic sciences	44.2
Technical and engineering	260.3
Agriculture and Veterinary	38.3
Arts	44.4

Iran›s ranking in the Quality of math and science education indicator in the latest Global Competitiveness Report (16-2015) is place 36 which is much better than the Russian Federation (58), China (49), Turkey (103), Saudi Arabia (69), and other countries in the region.

2.2.1.7 Numbers of Graduates in the Workforce, esp. in Key Areas

Manufacturing industries with 10 and more employees in 14/2013

Education Level	Doctorate	Master degree	Bachelor degree	Associate degree	Holding high school diploma	Not holding high school diploma
Number of Employees (thousands of person)	2.9	21.7	178.2	132.9	535.6	381.8

Educated Workforce in Operating Mines in 2015/2014

Production sector						
Education Level	**Not holding high school diploma**	**Holding high school diploma**	**Associate degree**	**Bachelor degree**	**Master degree**	**Doctorate**
Number of Employees	31.484	15.568	2.863	3.895	507	36
Non-Production sector						
Education Level	**Not holding high school diploma**	**Holding high school diploma**	**Associate degree**	**Bachelor degree**	**Master degree**	**Doctorate**
Number of Employees	5.35	6.337	1.789	3.705	455	74

Agriculture Operation Owned by Individuals in 2015/2014

Education Level	Primary school and non-formal	Lower secondary school and upper secondary school	Associate degree and upper (related to (agriculture	Associate degree and upper (unrelated to (agriculture
Number of Employees (thousands of person)	1.407	1.014	32	178

Government Employees Distribution by Educational Degree at the beginning of the Year 2014

Government Employees Distribution by Educational Degree at the beginning of the Year 2014

Number of Employees [thousand] Education Level

Education Level	Number of Educates [thousand]
Not holding high school diploma	151.2
Holding high school diploma	405.6
Associate degree	403.2
Bachelor degree	1183.2
Master degree	180
Doctorate	79.2

More than %76 of government employees in Iran hold a higher degree in Iran.

2.2.1.8 Numbers of Professionally-Qualified People in the Workforce

The majority of the professionally-qualified people in the workforce are holding a Bachelor degree. Around %6 of the number of employees is not holding a high school diploma. The number of professionals in the workforce is estimated at approximately 1.9 millions of people in 2015-2014.

More than %76 of government employees in Iran hold a higher degree in Iran.

2.2.1.9 Numbers of Managers in the Workforce

The Number of population who are working as Legislators, senior officials and managers are estimated 618 thousands of person in 15-2014.

2.2.2 Vocational Skills

2.2.2.1 Breakdown of Workforce by Technical / Vocational Qualifications

Students are considered potential workforce. The number of students who are studying in technical and vocational schools are estimated at about 295 thousand people.

2.2.2.2Vocational / Technical Training Provision

Technical and Vocational Training Organisation

The Technical and Vocational Training Organisation (TVTO) affiliated to the Ministry of Cooperatives, Labour and Social welfare was founded in 1980 by integrating three training bodies: MOLSA's General Directorate for Vocational Trainings, Apprenticeship Fund and Apprenticeship Society and operates as Technical and Human Force Training Organisation.
TVTO's main task is to provide vocational training and research through 18 - 1 months courses in permanent centres of the public sector (600 centres nationwide) , mobile training teams (in remote areas), training in prisons, training in garrisons, training in industries, training in the Instructor Training Centre (ITC) and in private training institutions (14 thousand institutions authorized by TVTO). TVTO trains skilled and semi-skilled labour force needed by industry, agriculture and service providers throughout the country, and improves the culture of getting technical skills in the society.

In the 2013/2012 academic year, %29.3 of male high school students and %17.2 of female high school students attended vocational-technical schools and skills training centers. This indicates the higher tendency of boys to enter the labour market immediately and that of girls to continue university studies.

In the same academic year, the number of students at public universities, Islamic Azad University, Payame Noor University, and private universities reached 4,367.9 thousand students, %0.8 less compared with the year before.

Private Training Institutes

Running private training Institutions are established and run according to the note 111 of labour law of Islamic Republic of Iran and the Regulation for Establishing and Running Private Training Institutions which was approved by the cabinet in 2000.

Based on related laws and regulations and in order to attract participation of the private sector in offering technical and vocational trainings has issued establishing permits for institutions in three fields: Industry, Services, Agriculture and 40 categories. These institutions – supervised by Private Sector Institutions Office of TVTO and supported by public participation- offer training courses in 1681 trades in Basic and Advanced levels.

Modern Skills Office

Nowadays various technologies are reforming very fast and this reformation has an effective impact on industries, occupations, and pertinent skills. Undoubtedly one of the most outstanding effects that could be on the path of technology progress is to utilize an appropriate, standard, and suitable training system. This system should be able to adapt to the fast growth of technology, to upgrade the information resources and to identify objective groups.

Young communities such as university students or employed and unemployed graduates could solve many predicaments and problems in every country considering applying their knowledge. However, the most important key exists between industries and universities to utilize trained people, having needed technical skills to be on the path of technological development in different economic areas such as economy, industry, agriculture, and culture & art by mixing knowledge and skill.

Regarding the need for creating and deepening relation between training and industry as well as providing and promoting skills potentials of student community and trained people in the community and considering Technical and Vocational Training Organization` aims, authorized for skill training in the country, one department named “Modern Skills Office” was founded with the purpose of creating suitable and appropriate conditions in order to present modern skills training on technical and non-technical fields. The main duty of this office is to identify and monitor technologies and advanced industries constantly (High Tech) for identifying occupations and related careers and finally to train skills needed in labor market.

Regarding constant reformation in management and shift in approaches of different managers, this office has met many challenges while performing its

duties. However it is very important to change economic orientation from resource to knowledge and technology, to plan, and to found institutional and lawful structure especially on developing and empowering human force.
The aforementioned office is supposed to provide appropriate human force needed in High Tech and modern and strategic technology in cooperation with three systems including Technology and Skill Training, Occupation Qualification System, Occupational Eligibility System.

Technical Vocational Research and Instructor Training Centre (ITC)

The Technical Vocational Research and Instructor Training Centre (ITC) was founded in 1975 in cooperation with the International Labour Organisation (ILO), and the United Nations Development Program (UNDP). This centre was equipped and utilized after the Islamic Revolution of Iran by Iranian experts and has started working officially since 1987.

ITC was established to attract and train instructors in different centres of the Technical and Vocational Training Organization (TVTO) and other institutes and centres – on request – with ITC supervision. This centre was run as an independent organization with the most significant role in developing workforce. ITC is affiliated to the Ministry of Labour and Social Affair and pioneer in training technical and practical skills to provide job opportunities, to promote work culture in community, to develop, to improve labour force capability, and to instruct specialists and skilled workers needed in financial and manufacturing enterprises.
To develop and catalyse the process of transferring skills and to intensify the quality of training courses as well as exploiting all the capacity of Technical and Vocational Centres, ITC left the responsibility of training instructors to other provinces. ITC is recognized as the biggest and most significant vocational training centre in the country and Middle East at the present time in terms of possessing considerable facilities, advanced software and hardware and skilled workforce.

▸ ITC responsibilities

- Training skilled workforce to pursue technical and vocational Training Organization`s objectives and work chart.
- Synchronizing technical trainings with the industrial development
- Providing occupational experiences in line with the skilled-oriented education
- Making plans to grow learners' potentials in entrepreneurship
- Holding retraining courses to upgrade trainers' knowledge and skills
- Performing applied studies to progress the effect of trainings based on ITC and labour market needs
- Preparing, publishing and revising the standard skills for instructors based on the growth of technology
- Assessing training needs in Technical and Vocational Centres, industries, and labour market to achieve the aims of training activities
- Making Plans to deepen the cultural values and beliefs
- Negotiating with domestic and foreign institutions and making effective relations

- Providing developing countries with training services
- Inviting professors, scholars, and experts to run seminars, meetings, and training workshops
- Training applied studies according to labour market and industry`s needs based on TVTO frame work
- Training technical and vocational skills
- Planning and holding national and regional meetings
- Presenting counselling services to industrial and servicing organizations

Major activities of ITC

- Training the instructors required by technical and vocational training centres, centres nearby enterprises, industries and private sector institutions
- Planning and implementing the retraining courses for instructors to adapt their knowledge with new technologies
- Assessing the skills of the workforce in industries; planning and implementing courses for skills upgrade
- Offering training courses to neighbouring and friend countries
- Research projects regarding technical and vocational trainings
- Communicating with universities to pave the ground for apprenticeship, practical training of the university students for using training centers facilities
- Supplying and producing training aides needed for different trades
- Implementing international welding courses (training the welders/ welding instructors)
- Conducting National Skills Competition

Training Departments in ITC

- Electricity
- Automobile Technology
- Welding
- Machine Tools
- CNC Milling/ Turning
- Wood Industry
- Installations
- Electronics and pneumatic Hydraulics
- Designing and sewing technology
- Educational Technology (Audio - Visual)
- IT
- Drawing and Graphics
- Basic Skills and Supervising Sciences
- Foreign Languages
- Industrial Automation
- Modern Skills
- Agriculture, Food Industry and Rural Skills

2.2.2.3Numbers of Skilled Workers

Manufacturing industries with 10 or more employees in 2014/2013

Production sector				
Total employees: 1,273,140	Simple labor: 402,724	Skilled labor: 391,535	Technician: 91,524	Engineer: 86,716
Non-Production sector				
Total employees: 300,641				

More than %45 of employees in the manufacturing production sector are technicians and engineers.

Operating mines workers in 2016/2015

Production sector					
Total employees: 72,871	Simple labor: 21,372	Skilled labor: 26,413	Technician: 4,408	Engineer: 5,458	**Transportation :affairs 15,220**
Non-Production sector					
Total employees (Administrative, Financial and Services): 300,641					

Transportation affairs:
15,220
Non-Production sector
Total employees (Administrative, Financial and Services): 300,641

2.3 Costs

2.3.1 Labour costs

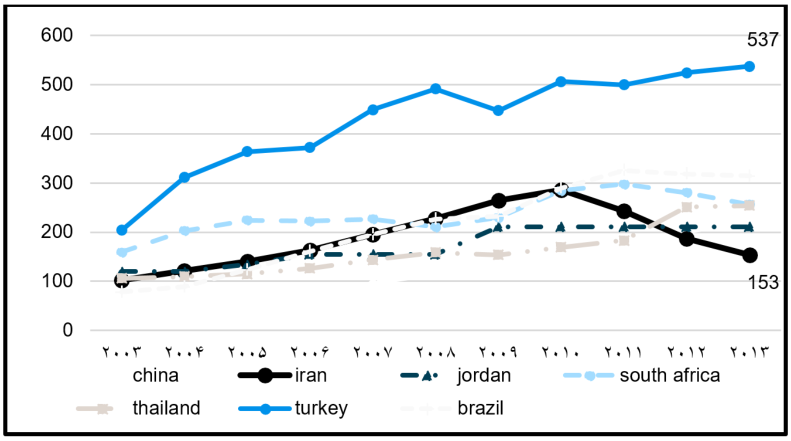
2.3.1.1 Cost of Wages

The lowest daily wage for temporary or permanent workers is RI 270,722 (~ USD 7.7). The highest monthly wage is RI 8,121,650 (~ USD 232). The growth rate of the lowest wage in 16/2015 in comparison to 15/2014 is %14.

After decades an important advantage of Iran›s economy has been revealed. Due to exchange rate shocks after sanctions in the past two years Iran›s labour cost has become more competitive in comparison to other regional countries such as Turkey, China, Jordan, Brazil and South Africa.

In 2016, the minimum monthly wage for a labour in Iran is about USD 230 that is %30 lower than in Turkey.

The minimum monthly wage in some selected countries is shown in the figure below:



2.3.1.2 Cost of Compulsory other Payments and Benefits

The lowest monthly labour wages plus salary in Iran are:

- Single worker: RI 9.721.650 (~ USD 280)
- Married with one child: RI 10.533.800 (~ USD 301)
- Married with two children: RI 11.345.990 (~ USD 324.2)

The monthly benefits are:

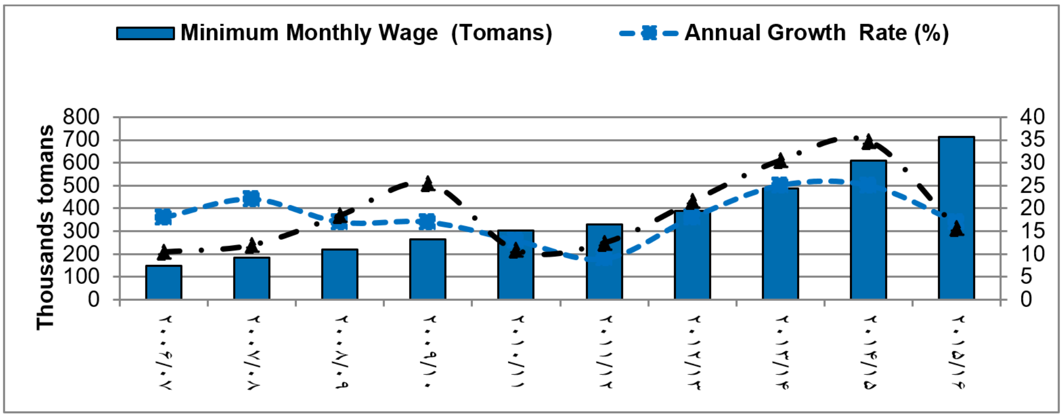
- Cash bonus: RI 1.100.000 (~ USD 31.4)
- Housing bonus: RI 200.000 (~ USD 5.7)
- End year bonus: Min. RI 16.240.000 (~ USD 464), Max. RI 24.360.000 (~ USD 696)

2.3.1.3 Employment Levels and Cost Trends

Minimum wage trends

Year	Minimum Monthly Wage (Tomans)	Annual Growth Rate (%)	Inflation Rate from Previous (%) Year
1385-07/2006	150000	18	10.4
1386-08/2007	183000	22	11.9
1387-09/2008	219600	17	18.4
1388-10/2009	263520	17	25.4
1389 -11/2010	303000	13	10.8
1390-12/2011	330300	9	12.4
1391-13/2012	389700	18	21.5
1392-14/2013	487125	25	30.5
1393-15/2014	609000	25	34.5

During the recent years the growth rate of wages is affordable for employers and lower than the inflation rates.



2.3.1.4 Costs of Hiring

Companies are obliged to withhold two types of taxes: the Tax on employment/ Payroll tax and Social security contributions.

Tax on employment/Payroll tax means that the payers of salaries are obliged to compete and withhold payroll taxes from the salaries and pay them to the local tax affairs office within thirty days. Additionally a list containing the names and addresses of recipients and the amount of the payments should be handed in.

Social security contributions are directly made to the Social Security Fund and the Pension Fund as such and are not considered as tax proper in the Iranian tax system. They are deductible when the corporate taxable income is computed. All employees working in Iran should be covered by the employer under the national social security contributory scheme. The social security charge is levied on an income up to a certain ceiling revised annually. The employee›s contribution is %7 and the employer›s share is %23 for Iranian employees and %20 for expatriate employees.

Note: Expatriate personnel might be exempted from the Iranian social security charge, if they can prove to the Social Security Organisation (SSO) that they are insured under a similar scheme in their country of domicile.
Furthermore companies have to make a contribution to the Compulsory Accident Insurance: This charge has been introduced recently and covers medical treatment, in addition to compensation for lost wages, disability or death arising from accidents at work. Employers should register their foreign employees with the SSO and pay the relevant insurance premium on a monthly basis. The premium rate is %3 of salary and fringe benefits (with no ceiling). This charge is deductible from the employee›s salary. However, if an expatriate employee is covered under the Iranian social security scheme mentioned above, this charge is waived.
16/2015 Social security contribution based on minimum wage (RI 8121640): RI 243648

- Employer share (%76.6): RI 186797
- Employees share (%23.3): RI 56851

Threshold exempt from taxation (annually): RI 3500000 ~ USD 100

Compulsory Accident Insurance: This charge has been introduced recently and covers medical treatment in addition to compensation for lost wages, disability or death arising from accidents at work. Employers should register their foreign employees with the SSO and pay the relevant insurance premium on a monthly basis. The premium rate is %3 of salary and fringe benefits (with no ceiling). This charge is deductible from the employee›s salary. However, if an expatriate employee is covered under the Iranian social security scheme mentioned above, this charge is waived.

2.3.2 Transportation Costs

According to the Budget Law for 2012, a sum of Rl. 41.4 trillion was approved as credits for acquisition of non-financial– national assets projects of transportation sector (road, air, sea, and rail), up by 1.0 % compared with the approved figure of the previous year. According to the Treasury General, the government spent Rl. 17.0 trillion for the implementation of transportation sector projects, showing 41.1 % realization compared with the approved figure and 50.9 % fall compared with the year before.

2.3.2.1 Average Cost Per Container to Nearest Port

The lowest average cost per container to the nearest port is from BND to Jebel ali with USD 50.

Average Cost Per Container to Nearest Port

Average Cost Per Container to Nearest Port		
BND to	20›	‹40
Jebel ali	USD 50	USD 50
Shuwaikh	USD 550	USD 750
Menameh	USD 550	USD 750
Sohar	USD 550	USD 700
Nhava sheva	USD 150	USD 150
Karachi	USD 120	USD 180

2.3.2.2 Average Cost Per Container to Other Regional Countries

The lowest average cost per container to other regional countries is from BND to Shanghai and to Qingdao.

Average Cost Per Container to Other Regional Countries

Average Cost Per Container to Other Regional Countries		
BND to	20›	40›
Shanghai	USD 50	USD 100
Qingdao	USD 50	USD 100
Manila	USD 250	USD 500
Yangon	USD 650	USD 1,100
Chittagong	USD 680	USD 1,100
Colombo	USD 650	USD 850
Port Kelang	USD 90	USD 150
Singapore	USD 90	USD 150

2.3.2.3 Average Cost Per Container to Rotterdam / Dubai / Baltimore

Comparing the average cost per container from BND to Rotterdam, Jebel ali – Dubai and Baltimore, it is noticeable that the average cost per container to Jebel ali –Dubai is the lowest so far.

Average Cost Per Container To Rotterdam/Dubai/Baltimore

Average Cost Per Container To Rotterdam/ Dubai/Baltimore		
BND to	**20›**	**40›**
Rotterdam	USD 850	USD 0 1,35
Jebel ali - Dubai	USD 50	USD 50
Baltimore	USD 3,100	USD 4,500

2.3.2.4 Average Cost Per Container from Nearest Port

The average cost per container from the nearest port to BND is lowest from Jebel ali.

Average Cost Per Container from Nearest Port

Average Cost Per Container from Nearest Port		
BND to	**20›**	**40›**
Jebel ali	USD 150	USD 300
Shuwaikh	USD 600	USD 700
Menameh	USD 700	USD 850
Sohar	USD 700	USD 850
Nhava sheva	USD 350	USD 550
Karachi	USD 400	USD 650

2.3.2.5 Average Cost Per Container from Other Regional Countries

The lowest average cost per 20› container to BND is from Port Kelang and from Singapore. The lowest average cost per 40› container to BND is from Chittagong and from Colombo.

Average Cost Per Container from Other Regional Countries

Average Cost Per Container from Other Regional Countries		
BND to	**20›**	**40›**
Shanghai	USD 500	USD 800
Qingdao	USD 500	USD 800
Manila	USD 500	USD 800
Yangon	USD 550	USD 900
Chittagong	USD 600	USD 550
Colombo	USD 600	USD 550
Port Kelang	USD 400	USD 600
Singapore	USD 400	USD 600

2.3.2.6 Average Cost Per Container from Rotterdam / Dubai / Baltimore

Comparing the average cost per container to BND from Rotterdam, Jebel ali – Dubai and Baltimore, it is noticeable that the average cost per container from Jebel ali –Dubai is the lowest.

Avarage Cost Per Container From Rotterdam/Dubai/Baltimore

Avarage Cost Per Container From Rotterdam/Dubai/Baltimore		
to BND	20›	40›
Rotterdam	USD 1,300	USD 1,750
Jebel ali - Dubai	USD 150	USD 300
Baltimore	USD 4,000	USD 5,000
Yangon	USD 650	USD 1,100

2.3.3 Taxation costs

2.3.3.1 Rates of Personal Income Tax

The rates of personal income taxes can be seen in the following table.

Tax Base	Taxable Income	Taxable Persons	Tax Rates
Real Estate Income Tax	Income of individuals derived from transfer of rights in immoveable properties situated in Iran. Exceptions: 25% expenses deduction on the total rent, depreciations and commitments of the owner to the property.	Owners renting their immoveable properties	15% - 25%
Employment Income Tax	The income of a real person employed by another real or legal person regardless of his/her occupation in Iran. Exception: Budget annually announced by government.	Individuals	10% on the announced budget, 20% above
Individual Business Income Tax	Unincorporated business activities including the aggregated sale of goods and services. Exceptions provided in the DTA.	Individuals	15%-25%
Corporate Income Tax	Aggregated profits of companies and profit-making activities of legal persons derived from sources in Iran or abroad.	Legal persons	25%
Tax on Incidental Income	Income earned ex gratia or through favouritism or as an award.	Real or legal persons	15%-25%

2.3.3.2Key Export Duties

On the basis of rules and regulation of I.R. Iran, import of some goods and /or their export is totally prohibited.

Some of those goods are:

- Alcoholic drinks
- Gambling tools
- Weapons, ammunition and explosive goods
- Narcotic drugs
- Magazines, photos, films and snaps and those goods, which are against religious and national dignity of the country.
- Any type of writings which are against the official religion of the country and / or disturbing discipline and public purity and national dignity.

- Those types of goods which have legitimate and legal prohibition and /or their import and export have not been allowed according to the customs tariff table or special rules.

2.3.3.3Rates of VAT

The value added resulting from the sale of all goods and services and their imports is 17 .%9 items listed in Article 12 of the VAT Act (VATA) are accepted.

2.3.3.4 Any other significant Business Taxes

There are two kinds of property taxes in Iran: the tax of real properties and the tax on transfer of shares.

The tax of real properties on final transfer of real estates and goodwill is subject to taxation at the transfer date and amounts %5 for real owners, %2 for legal owners and %25-%15 for constructors.

The tax on transfer of shares on the nominal and transfer value of shares transferred amounts %4 for joint stock companies and %0.5 for public companies.

2.3.3.5 Complexity of Tax System & Procedures

Tax Bases and Rates

The Iranian tax system is divided into two general categories of direct and indirect taxes. The share of direct taxes from the total tax revenues is almost %68 currently. There are two major types of direct taxes including income taxes and property taxes. . Indirect taxes include taxes on imports and Value Added Tax (VAT). Taxes on imports are currently collected by the Iranian Customs and are not within the jurisdiction of INTA. Table 1 briefly shows various types of taxes in the Iranian taxation system.

Tax Category	Tax Type	Tax Base	Act/ Chapter /Article	Taxable Income	Taxable Persons	Tax Rates
				announcement by government budget .		
		Individual Business Income Tax	DTA - C/IV/ 93-104	Unincorporated business activities (aggregate sale of goods and services) less the exemptions provided in the DTA	Individuals	15-25%
		Corporate Income Tax	DTA - C/V/105-118	Aggregate profits of companies, and the profits from the profit-making activities of other legal persons, derived from sources in Iran or abroad, less the losses from nonexempt sources and minus the provisioned exemptions	Legal Persons	25%
		Tax on Incidental Income	DTA - C/VI/111 19-131	Income earned ex gratia or through favoritism or as an award.	Real or legal person	15-25%
	Property Taxes	Tax on Transfer of Real Properties	DTA - C/I/59-80	Final transfer of real estates & goodwill shall be subject to taxation at the date of transfer.	Real or legal owners/constructors	5% & 2%/ 15-25%
		Tax on Transfer of Shares	DTA - D/I/143	Nominal & transfer value of shares transferred	Joint Stock Companies & public Companies	4% & 0.5%
Indirect Taxes	VAT	Value Added	VATA	Value added resulting from the sale of all goods and services and their imports, except 17 items listed in Article 12 of the VAT Act (VATA) as the exempted ones	Real and Legal Persons	9%
	Taxes on Imports	Currently collectible by the Iranian Customs Organization.				

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Taxation from foreign investors in Iran

All non-Iranian real or legal entities for the income earned in /through Iran for the income gained through granting of license or other rights, technical and educational assistance or movie projection right in the territory of Iran are subject to taxation. Depending on the type of activity of the foreign investor, various taxes and exemptions are applicable, including profit tax, income tax, (Min %2.5 Max %10) .

Foreign investors in Iran enjoy the same supports and privileges that are offered to the Iranian investors.. Tax exemptions and discounts are also equally granted to

domestic and foreign investors.
Since foreign investments are usually active as legal entities, we will hereunder focus on rules and regulations for Corporate Income Tax.
Foreign legal entities /residing abroad shall be taxed at the flat rate of %25 in

respect of the aggregate taxable income derived from the operation of their investment , directly or through the agencies in Iran..
Legal entities are obligated to, even within the exemption period, submit declaration and profit and loss balance sheets, provided from their official statutory books, maximum four months after the tax year (March 21 each year until March 20 next year) along with the list of partners and shareholders, their shares and addresses to the tax department within the area of the activity of the legal entity. If these legal entities do not submit the documents within the stipulated time span, the tax exemption will be null and void.

The Direct Taxation Law and other pertinent legislations have considered certain exemptions for the legal entities as table (3):

Activity	Level of Tax Exemption	Duration of Exemption	Legal Basis (Act- Article)	Incentive Type
Agriculture	100%	Perpetual	IDTA- Article 81	Permanent Exemption
Industry and Mining	100%	5 Years ((could be extended subject of develop on investment and/or labor employment)	IDTA- Article 132	Tax Holiday
Industry and Mining in Less-Developed Areas/ Industrial zones / special zones/ industrial and special zones located in less developed areas	100%	10/12/13 Years(could be extended subject of develop on investment and/or labor employment)	IDTA- Article 132;	Tax Holiday
Tourism,Hospitals,Hotels in developed /less developed Areas	100%	5/10 years	IDTA- Article 132	Tax Holiday

Expenses which are deductible in the assessment of taxable income are listed in the Direct Taxes Act. These expenditures must be supported to a reasonable degree by documentary evidence and are exclusively connected with the earning of income during the year in question.
The categories of deductible expenditure are as follows:

Activity	Level of Tax Exemption	Duration of Exemption	Legal Basis (Act- Article)	Incentive Type
Export of Services & Non-oil Goods	100%	During 5th Development Plan	IDTA- Article 141	Tax Holiday
Handicrafts	100%	Perpetual	IDTA- Article 142	Permanent Exemption
Educational & Sport Services	100%	Perpetual	IDTA- Article 134	Permanent Exemption
Publishing Activities	100%	Perpetual	IDTA- Article 139- Paragraph L	Permanent Exemption
Salary in Less-Developed Areas	50%	Perpetual	IDTA- Article 92	Tax Credit
All Economic Activities in Free Zones	100%	20 Years	Article 13- the Free Zones Act	Tax Holiday
Profits of Private and Cooperative Companies used for development, reconstruction and renovation of existing industrial and mining units	According DTA ARTICLE 132	According DTA ARTICLE 132	According DTA ARTICLE 132	Tax Credit

The cost of goods and raw materials	**Expenses incurred in the maintenance and upkeep of the premises owned by the enterprise**
Personnel costs	Transportation expenses
Rental of enterprise's premises in case of being rented	Expenses related to transportation and entertainment for employees, and warehousing costs
Rent of machinery and equipment	Fees paid in proportion to the services rendered
Costs of fuel, electricity, lighting, water and communication	Interest and fees paid for the carrying out of the enterprise operation
Business insurance	Cost of repair and maintenance of machineries and business equipment
Royalties, duties, rights and taxes paid	Abortive exploration expenditures for deemed mines
Research, development and training expenditure	Membership and subscription fees connected with the business operations
Compensation paid for damages resulted from the business operations	Bad debts, if proved
Cultural, sports and welfare expenditures paid to the Ministry of Labour and Social Affairs in respect of workers	Currency exchange losses computed in accordance with accepted accountancy practice
Reserves against doubtful claims	Normal wastage of production
Losses of legal persons	The reserve related to acceptable expenses of the assessment period
Minor expenses incurred in connection with the rented premises of the enterprise	Expenses for purchasing of books and other cultural and art goods for employees and their dependents

Other expenses that are not referred to in the table above, but are related to the earning of the enterprise›s income, shall be accepted as deductible expenses on basis of the proposal of the INTA and approval of Ministry of Economic Affairs and Finance.

Losses sustained by all taxpayers engaged in trading and other activities are accepted by the tax authorities; will be carried forward and written off against future profits for a period of three years.

Depreciation of assets is deductible in the assessment of taxable income.

The VAT in Iran is levied on the sale of all goods and services and their imports, except 17 items listed in Article 12 of the VAT Act (VATA) as the exempted ones. The VATA, however, does not include the export of goods and services through official Customs gates. Therefore, the taxes paid for the export of goods and services will be refundable by submitting the Customs clearance sheets and valid documents. Currently, the VAT rate stands at %6 (VAT rate for two special goods of cigarettes and jet fuel is relatively higher). To reduce the country's dependency on oil revenue, the Law on the Fifth Five-Year Development Plan provisioned an annual one-% increase in the VAT rate to put it at %8 at the end of the Plan, i.e. 2016.

Economic activities in free trade and industrial zones are exempted from the VAT.

2.4 Banking and Insurance

2.4.1 International Banking

In 2012, net foreign assets of the banking system grew by %7.5 (Rl 62,891.9 billion) to Rl. 899,706.1 billion. This was due to increase in net foreign assets of the Central Bank by Rl 20,588.0 billion, and rise in net foreign assets of banks and non-bank credit institutions by Rl 42,303.9 billion. Rise in net foreign assets of the Central Bank was due to the increase in CBI foreign assets by Rl 109,583.4 billion and growth in CBI foreign liabilities by Rl 88,995.4 billion. Moreover, increase in net foreign assets of banks and non-bank credit institutions was attributable to the fall in their foreign liabilities by Rls. 24,004.4 billion and rise in their foreign assets by Rl 18,299.5 billion.

2.4.2 Types of Insurance

The performance of the insurance market in 2012 revealed a continued upward trend in the number of insurance companies, especially private insurance companies.
The share of private insurance companies in total direct premiums reached %54.4 in 1391 year-end. In this year, total direct premiums issued by public and private companies› amounted to Rl 131,096.7 billion, indicating %52.3 increase compared with 2011.

- **Total direct premiums** issued by public and private insurance companies reached

Rls. 131,096.7 billion in 1391, showing %52.3 growth compared with the year before. Third party liability had the highest share in total direct premiums by %45.5, followed by health (%20.2), life (%7.8), motor property damage (%6.3), liability (%5.2), driver accidents (%5.0), and fire (%3.7).

- The amount of paid loss rose %46.0 to Rl 78,379.7 billion. As in previous years, the highest share of the paid loss in 1391 was related to the third party liability by %48.4, followed by health, motor property damage, liability, and life, with ,%29.1 %4.6 ,%6.5, and %4.5

- In this year, %57.3 of total paid loss was related to car insurance (third party liability, driver accidents, and property damage).
- In 2012, over 38.5 million insurance policies were issued, showing %7.4 growth compared with the year before. Of total issued insurance policies, %41.6 were related to third party liability. Furthermore, %80.0 of the insurance policies were related to car insurance (third party liability, driver accidents, and property damage). «Credit» insurance policies experienced the highest growth (%1,783.3) and Iran Insurance Company issued %46.2 of total insurance policies.
- Loss ratio 1 increased by 6.6 %age points to 82.9 % in 1391. Loss ratio for third party liability reached 90.2 %, indicating 0.4 %age point rise compared with 1390.
- In 1391, top insurance companies in terms of their shares in total direct premiums were Iran, Asia, Alborz, Dana, Parsian, and Tose with 4.8 ,5.6 ,5.7 ,10.4 ,45.6, and 3.8 %, respectively. Shares of the mentioned companies in terms of losses paid were 4.3 ,5.1 ,5.3 ,10.2 ,49.9, and 4.0 %, respectively.

2.5 Incentives

The following incentives are available to investors:

- Use of buyback contract form for investment (Article 82 of the Fifth Iranian Five Year Development Plan Act)
- Offering public bonds (Article 83 of the Fifth Iranian Five Year Development Plan Act)
- Use of revenues generated by the Iranian National Development Fund (Article 84 of the Fifth Iranian Five Year Development Plan Act)
- Use of capacities of the Islamic transactions (Mozarebe cooperation in buying and selling commercial goods, Mosharekat (participation), Joale, Estesna, Kharid-deyn or receivable-financing or factoring,....) (Third chapter of the Law on the interest-free banking operation of Article 98 of the Fifth Iranian Five Year Development Plan Act)
- Use of financial controlled (administered) funds or resources in the investment (Article 118 of the Fifth Iranian Five Year Development Plan Act)
- Use of financial resources generated by selling properties (Article 133 of the Fifth Iranian Five Year Development Plan Act)
- Supporting renewable and clean energy sources (Article 139 of the Fifth Iranian Five Year Development Plan Act)
- Facilitating guaranteed purchase, investment and private ownership in water

sector (Article 142 of the Fifth Iranian Five Year Development Plan Act)

- Use of banking resources and LC for facilitating engagement of the private sector (Article 214 of the Fifth Iranian Five Year Development Plan Act)
- Selling Sukuk or Islamic bonds and hard currency participation securities- Use of financial controlled (administered) funds or resources (para. Q and para R. of Article 224 of the Fifth Iranian Five Year Development Plan Act)
- Allocation of a part of the fund saved by the Iranian targeted subsidy plan for using it in promoting activities in water and electricity sectors (Article 8 of the Iranian Targeted Subsidy Plan Law)

- Allocation of a part of the fund saved by the Iranian targeted subsidy plan through banks and financial institutions for using it to support private investors (Article 9 of the Iranian Targeted Subsidy Plan Law)
- Dealing with the adverse consequences of implementation of the Iranian targeted subsidy plan (Article 11 of the Iranian Targeted Subsidy Plan Law)
- Opening LC in Rial for governmental companies (Article 2 of the Act on Adjusting a Part of the Government's Financial Rules)
- Foreign investment promotion (Article 6 of the Act on Adjusting a Part of the Government's Financial Rules)
- Selling non-budgetary bonds (Article 52 of the Act on Adjusting a Part of the Government's Financial Rules)
- Use of controlled (administered) funds for empowering the private sector (Article 53 of the Act on Adjusting a Part of the Government's Financial Rules)

- Diversification in supplying financial resources by concluding Islamic transactions with capital owners (Article 56 of the Act on Adjusting a Part of the Government's Financial Rules)
- Use of the financial resources generated by selling electricity for promotion of investment in hydroelectric power stations (Article 61 of the Act on Adjusting a Part of the Government's Financial Rules)
- Act of Promotion of Investment in water sector plans and projects
- Use of a part of the saved funds for concluding investment contract in contract forms of buy-back, BOT or any other forms as stipulated in para. B of Article 214 of the Fifth Iranian Five Year Development Plan Act for implementation of improvement plans, reduction of energy consumption and promotion of renewable energies (para. S of Note 2 of the Iranian Budget Law for 2015-2014)

- Use of the resources from the Iranian National Development Fund for promoting water and power sectors (para. N of Note 5 of the Iranian Budget Law for -2014 2015)
- Selling participation (Mosharekat) bonds and Islamic bonds or Sukuk for investing in power plans and projects (para. A of Note 6 of the Iranian Budget Law for -2014 2015)
- Levying a 30 Rial charge in favor of renewable power stations (para. G of Note 9 of the Iranian Budget Law for 2015-2014)
- Providing investors with the fuel saved or its equal volume of crude oil out of the fuel savings (para. E of Note 11 of the Iranian Budget Law for 2015-2014)

- Based on the guaranteed power purchase contract concluded between the non-governmental investor, on one side, and TVANIR, on the other side, the whole power generated by the renewable energy power stations is guaranteed to be purchased at approved rates of purchase for a five year term.
- The electricity purchase tariffs shall be payable in Rial (Iranian currency) and shall be subject to revision based on the revision formula in the course of the contract in proportion to inflation and change of the currency parity rate (Euro) in order to reduce the investment risks.
- The Ministry of Energy shall submit the required proposals to the Economic Council or other concerned authorities to complete and revise conditions and rates if it is deemed necessary. The electricity base rate is determined and communicated by the Ministry of Energy on annual basis based on the relevant bylaw of the Para B of Article 133.

- SANA as the coordinator of the projects is working under supervision of TAVANIR. In relation to permits and licenses it cooperates with investors providing them with required information and, if needed, will direct them to the concerned authorities. After issuance of the required permits and licenses SANA shall be responsible to prepare the draft contract in order for it to be signed by TAVANIR.
- According to provisions of the power purchase contract and for paying the energy price, if it is possible, a 6 months LC in Rial shall be opened in order to reduce any possible delay in paying the energy price. Otherwise and if the delay persists the relevant pecuniary penalties, already been set and projected, shall take effect.
- The income generated by CDM or international environment reward in such contracts shall belong to the investors.

- The investors are entitled to sell a part or whole of the electricity they generate to other domestic or foreign applicants transmitting the electricity through the state electricity network. If the domestic applicant or consumer is preferred over foreign ones then no fees will be levied on the electricity transmission.
- Those investors who receive the construction permit are entitled to sign buy-back based contract based on the legal capacities provided in sub para.1 of para. B of Note 11 of the Iranian Budget Law for 2015-2014. Based on the said Law the government shall, in return for the electricity generated by the renewable energy power stations and after calculation of the total fuel saved, deliver equal volume of the same fuel type or crude oil to the investors within maximum of a two year term. After the two year term whole price of the electricity generated by renewable energy power stations will be payable based on the executive directions and relevant approvals provided in Article 133 of the Fifth Iranian Five Year Development Plan Act.

- According to the para. G of Note 9 of the Iranian Budget Law for 2015-2014 the Ministry of energy shall, in addition to price of electricity, receive thirty (30) Rialsfor each kilowatt, as additional charge to be printed on the electricity bills, from all electricity subscribers with the exception of municipal and rural subscribers as well as owners of agricultural wells. All the money collected shall be deposited with the Iran State Treasury and up to maximum of four thousand billion (4000000000)

Rials of it shall be spent by TAVANIR for development and maintenance of the rural electricity grid as well as generation of renewable and clean electricity.

▶ Based on Article 139 of the Fifth Iranian Five Year Development Plan Act the government is entitled to use the controlled (administered) funds and the interest subsidy facilities in order to prepare the ground for generation of up to 5000 megawatt wind and solar energy in the course of the plan in proportion of its requirements in the field of energy generation.

2.5.1 Free Zones and Special Economic Zones

▶ **Incentives and advantages for investment in Trade-Industrial Free Zones**
▶ Tax exemption for 20 years from the date of operation for all economic activities
▶ Foreign investment and nearly a hundred % of the amount invested
▶ Freed om of entry and exit of capital and profits
▶ Protection and guarantees for foreign investments
▶ Abolition of entry visas and easily issue of residence permits for foreigners
▶ Facilitated regulation on labour relations, employment and social security
▶ Transfer of part manufactured goods to the mainland without paying customs duties
▶ Elimination of pay customs duties on imports from outside to the region and vice versa
▶ Employing trained and skilled manpower in all different skill levels and professions
▶ Utilisation of raw materials, oil and gas as feedstock and fuel for all industrial activities

▶ **Incentives for investment in Special Economic Zones**
▶ Import of goods from the above mentioned zones for domestic consumption would be subordinate to export and import regulations, and export of goods from these areas will be carried out without any formalities.
▶ Import of goods from abroad or free trade zones or industrial area-would be carried out with minimal customs formalities and good internal transit cases would be performed in accordance with the relevant regulations.
▶ Log entry of merchandise subject to this article will be done without any customs formalities.

▶ Goods imported from outside or industrial areas or other commercial zones can be exported without any formalities of the country.
▶ Management of the region is allowed to assign the region to qualified natural or legal persons after classification and valuation.
▶ Owners of goods imported to the region can send all or part of their goods for temporary entry into the country after doing customs clearance regulations.

▶ If the processing of imported goods is to some extent that changes the tariff of goods, the rate commercial benefit of the goods would be calculated equal the commercial benefit of raw materials and spare parts of thecountry.

- Importers of goods are allowed to hand over to others part or all of their products against warehouse receipt to be issued by the district administration; in this case the breakdown warehouse receipt holder would be the owner of the goods.
- The management of each district is authorised to issue certificated of origin for goods per applicant out of the area with the approval of the customs.
- All the goods imported to the region for the required production or services are exempted from the general import-export laws. Imports of goods to other parts of the country will be subordinated to export and import regulations.
- %age of goods produced in the zone, based on paragraph (d) of clause (25) of the law of the second economic, social and cultural development plan of the Islamic republic of Iran imported to the country, the proportion of total value added and domestic parts and materials used in the total price of the commodity production is allowed without any limitation and in addition to not having to order and open letter of credit.

- Goods manufactured in special economic zones, as well as raw materials and imported CKD parts into the country is not subject to price regulation due to unutilised resources and allocated currency

The list of the special economic zones of the Islamic Republic of Iran are as follows:

- Salafchegan special economic zone
- Shiraz special economic zone
- Assaluye special economic zone
- Arge Jadid special economic zone
- Payam Airport special economic zone
- Persian Gulf special economic zone
- Lorestan special economic zone
- Amirabad port special economic zone
- Bushehr Port special economic zone
- Shahid Rajaee Port special economic zone
- Sarakhs special economic zone
- Sirjan special economic zone

List of the Trade-Industrial Free Zones

- Qeshm Trade-Industrial Free Zone
- Chabahar Trade-Industrial Free Zone
- Aras Trade-Industrial Free Zone
- Anzali Trade-Industrial Free Zone
- Arvand Trade-Industrial Free Zone
- Kish Trade-Industrial Free Zone
- Maku Trade-Industrial Free Zone

2.6 Investment Climate

2.6.1 Outcomes of Key Doing Business Surveys and Models

Iran is the second largest economy in the Middle East and North Africa (MENA) region after Saudi Arabia, with an estimated gross domestic product (GDP) of USD 369 billion in 14-2013. It also has the second largest population of the region after Egypt, with an estimated 77.3 million individuals in 2013. Its economy is characterised by a large hydrocarbon sector, small scale agriculture and services sectors, and a noticeable state presence in manufacturing and financial services.

The below characteristics show why investment in Iran would be profitable:

- 17th largest economy in the world by purchasing power parity (PPP)
- Diversified economy and broad industrial base with over 40 industries directly involved in the Tehran Stock Exchange makes it the largest industrial base in the MENA region
- Resource-rich economy
- Labour-rich economy
- Young and educated population
- Large domestic market
- The Middle East market is a prime market opportunity for Iran's non-oil exports
- Developed infrastructure in transportation, telecommunications and energy
- Strategic location, surrounded by 15 land and sea neighbours, can serve as a lucrative trade and transit route in both north/south and east-west directions
- Tax exemptions and incentives
- Diversified, Hydrocarbon-rich Economy
- 4th largest oil producer in the World
- 2nd highest gas reserves in the World
- One of the top producers of Zinc, Lead, Cobalt, Aluminum, Manganese and Copper in the world
- Ranks amongst the top 7 countries in producing 22 important agricultural products

2.6.2 Key Reforms of Investment Climate Completed

The government has established many new ground rules to protect and guide foreign investors in doing business in Iran. Moreover the private sector of the economy has always been interested in working closely with foreign entities to expand their network to the global market.

2011: The Islamic Republic of Iran eased business start-up by installing a web portal allowing entrepreneurs to search for and reserve a unique company name.
2013: The Islamic Republic of Iran made starting a business more difficult by requiring company founders to obtain a criminal record clearance to register a new company.
2015: The Islamic Republic of Iran made starting a business easier by streamlining the name reservation and company registration procedures.

2.6.3 Evidence of Investor-Friendly Attitude of Government

Foreign investment is permitted in accordance with the prevailing laws and regulations of the Country. All foreign investors are permitted to invest, for the purpose of development and producing goods and activities, in all areas of industry, mining, agriculture and services. However, from the standpoint of the Iranian government, only those investments shall be eligible to enjoy the privileges and protections under the Foreign Investment Promotion and Protection Act (FIPPA) that have obtained the required license under the FIPPA.

Foreign investment in Iran is admitted under all forms of legal participation (Foreign Direct Investment) and/or contractual arrangements. Contractual arrangements include all forms of project financing methods within the framework of civil participation; buy back arrangements, and different types of Build, Operate and Transfer (BOT) schemes.

The law protecting foreign investment in Iran is the Foreign Investment Promotion and Protection Act ratified in 2002 which is hereinafter referred to as FIPPA. The scope of applicability of the FIPPA grants to the territory of the Islamic Republic of Iran under which all foreign investors may invest in the Country and enjoy the privileges available there under.

Fundamental rights recognised under FIPPA in favour of foreign investors are as follows:

- The right to transfer profits (dividends) as well as capital and gains on capital in foreign exchange;
- The right to receive compensation resulting from expropriation (deprivation of ownership) and nationalisation of foreign capital;
- The right to receive compensation resulting from the passing of laws or Cabinet Decrees causing prohibition or interruption in the implementation of financial contracts of foreign investors;
- The right to enjoy equitable treatment accorded to domestic investors.

2.6.4 Ease of Repatriation of Capital and/or Profits

Under FIPPA, foreign capital is defined in a very broad and diversified manner and can be in cash or in kind, being machinery and equipment, raw materials, parts, specialised services as well as intellectual

Repatriation of principal capital, dividend and capital gain, compensation in case of expropriation or nationalisation and compensation in case of business disruption by government are fully guaranteed under FIPPA.

Under FIPPA, no restriction is imposed on the manner, type and volume of investment, %age of shareholding or profit and capital repatriation as well as internal relations between the parties to the investment project.

Recognition of fundamental rights of foreign investors coupled with equal treatment as accorded to local investors, introduction of new legal options in respect of government-investors relations, easy provision of entry and exit visas,

residence and work permits, etc., streamlined and fast-track investment licensing and approval process are just some of the new facilities provided for foreign investors under FIPPA.
In addition to direct investments, other investments within various forms of foreign financial facilities such as buyback arrangements, various BOT schemes, project financing and civil partnership modalities can also enjoy the coverage of the FIPPA.

2.6.5 Property Investor Protection Measures

The law protecting foreign investment in Iran is the Foreign Investment Promotion and Protection Act ratified in 2002 which is hereinafter referred to as FIPPA. The scope of applicability of the FIPPA grants to the territory of the Islamic Republic of Iran under which all foreign investors may invest in the Country and enjoy the privileges available there under.

2.6.6 Track Record in Providing Security of Investment

A positive aspect is that foreign investors are, with few exceptions, allowed to hold up to %100 of the shares when investing in Iranian companies, which is a rare privilege in this region. Foreign investors can also choose freely between the legal forms provided by Iranian Commercial Law, with the Private Joint Stock Company proving to be the most common and suitable corporation form for foreign investors. There are also various tax and legal provisions privileging the establishment of foreign companies in free trade zones and special economic zones.

Iran has concluded numerous double taxation conventions (DTC) essentially based on the OECD Model Tax Convention with Germany, France, Spain, Austria and Switzerland. However, knowledge of the Iranian practice of implementing the relevant dispositions is essential for any tax optimised structuring
It is highly advisable to engage a law firm with expertise in international business that has on-the-ground experience in Iran and can demonstrate up-to-date and reliable knowledge.

2.6.7 Regulatory Environment

Iran has different well-structured laws and regulations applicable to both domestic and foreign companies working in Iran such as commercial code company law, import and export regulations, labour law, social security regulations, taxations, industrial and intellectual property protection, foreign national entry.
- The Foreign Investment Promotion and Protection Act (FIPPA):
- Direct and indirect Investment
- Equity Participation in all areas open to Iranian Private Sector without any limitation on the %ages of Foreign Shareholding
- Investment through Contractual Arrangements
- Non-Equity Forms:
- Buy Back Arrangements
- Civil Partnership

- BOT Schemes
- The Act on Construction of Transport Infrastructure Projects through Partnership of the Banks and other Financial Sources of the Country
- 5th Development Plan
- Budget Law of the Current Iranian Year

2.6.8 Legal Framework for Doing Business

- Possibility of Investment by foreign Natural and Juridical Persons and Iranians Living Aboard
- Equal Treatment with Foreign Investors as accorded to Domestic Investors
- Quick Approval of Foreign Investment Application
- Issuing Three-Year Residence Permit for Foreign Investors, Directors, Experts and Their Immediate Family Members

2.6.9 Time Required to Establish a Business

Procedures to legally start and operate a company (number):

- Preregistration (for example, name verification or reservation, notarization)
- Registration in the economy's largest business city
- Post- registration (for example, social security registration, company seal)

Time required to complete each procedure (calendar days):

- Does not include time spent gathering information
- Each procedure starts on a separate day (2 procedures cannot start on the same day)
- Procedures that can be fully completed online are recorded as ½ day
- Procedure completed once final document is received
- No prior contact with officials

Cost required to complete each procedure (% of income per capita):

- Official costs only, no bribes
- No professional fees unless services required by law or commonly used in practice
- Paid-in minimum capital (% of income per capita): Deposited in a bank or with a notary before registration (or within 3 months)

2.6.10 Type of Legal System in Use

The Iranian legal system is inspired by the Romano-Germanic legal system, and particularly based around a Napoleonic commercial and civil code. The Islamic Revolution officially introduced the principles of "Sharia" into the legal system, and the latter witnessed some changes, essentially in the matters of criminal law and family law.

Among the principal codes, particular reference shall be made to the "Law on Fifth Economic and Cultural Development Program", the "Foreign Investment Promotion and Protection Act" (FIPPA), as well as to the Iranian Civil & Commercial Codes. Different legislations, such as the "Law for the Protection of Creators of Computer

Software" dated 24 December 2000 and the "Law for Registration of Invention, Industrial Designs and Trademarks" of 29 October 2007, as the major components of the Iranian legal regime in the matter of foreign investment, shall be cited too.

The Civil Code, to be consistent with the Islamic principles prescribed by the Constitution, received some minor amendments. The Commercial Code remains unchanged even though some major modifications to be brought into it are currently under consideration by the Parliament.

Furthermore, Iran has entered into the conclusion of a considerable number of Bilateral Investment Treaties. These BITs follow the most commonly applied principles in the matter of foreign investment protection.

There are 52 BITs in force between Iran and other countries, such as Germany, France, Italy, Austria and Switzerland. Amongst other things, BITs with Iran provide protection against expropriation without compensation, free transfer of capital, guaranteed equal treatment with nationals and, in principle, the possibility of arbitration proceedings (UNCITRAL), even though the free choice of the governing law is limited.

In addition to the BITs, protection and incentives are also provided under Iranian national law. The Foreign Investment Promotion and Protection Act 2002 (FIPPA) guarantees important privileges to foreign investments such as an equal treatment standard, transfer of funds and dividends, compensation against expropriation and access to foreign courts. However, in order to be privileged, the foreign investor has to obtain a permit from the so called OIETAI Organisation.

2.6.11 Strength of Financial Regulatory Environment

As far as the foreign investment is concerned, FIPPA and its implementing regulations following the general principles recognised in the matter of foreign investment provide reasonable and sufficient protective ground to foreign investors.

If the authorisation referred to under FIPPA is granted, the foreign investor shall enjoy all rights and protections provided to local investors. These rights and protections include the guarantee of equal treatment of his capital with the national capital, repatriation of dividends, residual capital as well as the accrued profits.

- The Islamic Republic of Iran simplified business start-up by introducing an electronic registration system.
- Iran eased business start-up by installing a web portal allowing entrepreneurs to search for and reserve a unique company name.
- Iran made starting a business more difficult by requiring company founders to obtain a criminal record clearance to register a new company.
- The Islamic Republic of Iran made starting a business easier by streamlining the name reservation and company registration procedures.

2.6.12 Transparency and Stability of Tax System

Foreign investors in Iran enjoy the same supports and privileges that are offered to the Iranian investors. In this connection, the Direct Taxation Law passed in 1987 and the following amendments have considered no discrimination in taxation of domestic and foreign investors. This means both Iranian and foreign investors pay the same amount of taxes. Tax exemptions and discounts are also equally granted to domestic and foreign investors.

- Fixed corporate income tax at a flat rate of %25
- %80 Exemptions of Income for 4 Years in Production Activities
- %100 of Income for 10 Years in Less Developed Regions (All Activities)
- %100 of Income for 20 Years in Free Zones (All Activities)
- Agricultural: %100 of Income for No limited Time
- Tourism: %50 of Income for No limited Time
- Exports: %100 of Income Derived from Exportation for No limited Time

2.7 Investment Track Record

2.7.1 Numbers of existing International Investors

About 3072 foreign investors have been registered in Iran until today. The first investor registered on September 1931 ,8.
The numbers of industrial, mining and commercial projects of international investors which had established their projects during August 2013 and March 2016 are estimated at about 107 projects.

2.7.2 Percentage of Expansions

More than %62 of industrial, mining and commercial projects have had more than %60 physical progress.
During August 2013 and March 2016:

- 53 projects have received establishment license.
- 49 projects have received operating license.
- 2 projects have received exploration license.

Physical progress of project (%)	Numbers of projects	Share of total projects (%)
20-0	27	26.2
40-20	5	4.9
60-40	7	6.8
80-60	8	7.8
100-80	56	54.4
Doctorate	79.2	79.2

2.7.3 Any Outstanding or High-Performing Companies

In more than %43 of international projects, foreign participation ratio is estimated over %99. Also, about 47 percent of these projects have been launched. Among these current foreign projects, 16 are originated by Turkey. 12 out of them have been done by China and 20 out of them are related to EU countries. Overall, in that period, Iran has attracted 2.6 billion dollars.

From August 2013 to March 2016 the most outstanding investment based on volume of investment and their expansion includes:

- Germany has established a project by 1 billion of dollars in Iran at rate of %100 foreign participation. This project is related to production of solid silicon.
- Iraq has a project by 430 million dollars at rate of %100 foreign participation. This project is related to production of Iron concentrate.

Origin of Iran›s Foreign Investment in August, 2013 - March, 2016

Country/ Origin of Foreign Investment	Numbers of Projects in Iran
China	12
Turkey	16
Pakistan	3
India	6
Switzerland	1
United Arab Emirates	9
Afghanistan	29
Kuwait	2
Tajikistan	1
United State of America	1
Italy	3
Turkmenistan	1
France	4
Germany	6
Iraq	3
Netherlands	3
South Korea	1
Austria	2
Ireland	1
Australia	1
United Kingdom	1
Singapore	1
Tunisia	1
Japan	1
Canada	1
Bosnia and Herzegovina	1

2.8 Economic Risks

The economy of Iran is exposed to a number of risks listed below.

- Inflation: Iran is one of the countries with a high inflation rate (%11.9 in 16/2015). Due to governmental efforts there was notable progress in inflation reduction during recent years. The government targets a one-digit inflation rate for 1395) 17/2016).

- Exchange rate: There are two kinds of exchange rate systems in Iran: a fixed rate and a free market rate. The fixed rate is determined by the government for budget purposes and to allocate foreign financial resources to import specified goods (basic commodities such as wheat or similar products). The Free market rate is determined based on demand and supply of foreign currencies and used by traders. Iran›s government has promised to convert the dual rate system to a flexible exchange rate system not later than the end of 2016.

>Banking system: Some of the main difficulties of the Iranian banking systems are a high non-performing loans (NPL) ratio, difficulty to liquefy frozen assets, presence of unauthorised financial institutions, a gap between international and national standards and low level of financial ratios. According to efforts of the Iranian central bank in 2015 including new government rules to facilitate liquefying banks› frozen assets, the government hopes to resolve some of the main issues.

New initiatives have started to implement International Financial Reporting Standards (IFRS) to improve the transparency and the health of the banking system.

- Capital market: Iran›s financial market is bank-based and the share of capital market is low. Iran›s stock market has been accepted as member of IOSCO.

3. Guidebook

In the following, we provide an overview of selected key regulations of relevance to investors, namely the employment of foreign nationals (chapter 3.1), import regulations (chapter 3.2), the types of legal entities available to foreign investors (chapter 3.3) as well as selected investment facilitation measures (chapter 3.4)

3.1 Employment of foreign nationals

Foreign nationals require work and employment permits to work in Iran, even if they receive their salary in another country.

The Department General for Employment of Foreign Nationals of the Ministry of Cooperatives, Labour and Social Welfare is responsible for issuing work permits for the employment of foreign nationals in Iran. In provincial capitals, the Foreign Citizens Divisions of the Department General of Cooperatives, Labour and Social Welfare issues such permits.

Before concluding any contract that may lead to the employment of foreign citizens in Iran, employers must apply for an authorisation from the Department General for Employment of Foreign Nationals. The rules and regulations for acquiring work permits for the foreign nationals are available in the Labour Law of the Islamic Republic of Iran, ratified in 1990 (articles 120 through 129 and executive bylaw of Article 129).

Work permits of foreign nationals are issued, extended or renewed for a period of one year.

3.2 Import regulations

With a total spent of USD 180 billion in recent years, Iranian consumers are an attractive target market for foreign companies. The country›s young population has already developed an affinity for foreign brands. One survey by «On Device» shows that 66 percent of respondents prefer imported goods because of their perceived superior quality.

Currently, China is the major source of imports, accounting for 44 percent of the total, but Western companies are well-positioned to challenge them (the aforementioned survey indicates that 87 percent of Iranians consider

German brands to be of high quality, versus only 18 percent for Chinese).

Importers of raw materials and goods needed for manufacturing, finishing, preparation and packaging of commodities relevant to article 12 of the «Export/Import Rules and Regulations», passed on 26 September 1993, will have to observe the following:

- The import certificate relevant to article 24 of the «Executive Bylaw of Export/Import Regulations Act» will be only issued for factories, corporations and manufacturing units (whether trade or industrial) that hold a valid certificate. The commercial and cooperative units can enjoy the privileges only upon their valid contract with the certified manufacturing units. The maximum raw material and goods import for the manufacturing units will be according to the nominal capacity of their production.
- Exporters importing raw materials and other required goods for their manufacturing units temporarily are obligated to export a minimum 125 percent of the value of imported materials and goods in the form of manufactured products. If, after the 125 percent export, any product remains for domestic consumption, it will be considered as permanent import and subject to customs duties, trade profit and other tolls after changing the temporary declaration into a permanent declaration.
- The deadline for export of finished commodities will be one year after temporary import of raw materials and goods. The deadline can be extended to one more year upon the discretion of the Islamic Republic of Iran Customs Administration (IRICA).
- For temporary import of commodities relevant to the above-said article, IRICA will collect undertakings and promissory notes according to the pertinent rules and regulations.
- In the case of governmental factories, corporations and manufacturing units, a promissory note or written guarantee will be requested at the discretion of IRICA.
- In the case of non-governmental factories, corporations and manufacturing units, exemplary units, and highly recognised firms, a written guarantee or promissory note plus a bank guarantee worth the value of imported goods will be requested at the discretion of IRICA.
- In case of businessmen and merchants, a promissory note or a bank guarantee worth the same value of the imported goods will be requested at the discretion of IRICA

3.3 Types of legal entities available for registration to foreign investors

Foreign investors can now establish a company in Iran with 100 percent ownership of the shares and control of their business. This can be advantageous to investors willing to be more involved in the Iranian market, providing them with security and stability. There are two types of companies which can be registered for foreign investment purposes: Limited Liability Company and Joint Stock Company.

▶ Limited Liability Company

A Limited Liability Company is defined as a company formed by two or more individuals to conduct business transactions and activities. A Limited Liability Company is based upon the direct contributions of the partners to the partnership. The formation of a limited liability partnership is deemed to have taken place when the capital in cash has been fully contributed and when non-cash contributors have been assessed and delivered.

▶ Joint Stock Company

A Joint Stock Company is defined as a company formed by three or more individuals to conduct business transactions and activities. A Joint Stock Company is based upon the direct contributions of the partners. The formation of a Joint Stock Company is deemed to have taken place when the capital in cash has been fully contributed and when non-cash contributors have been assessed and delivered.

3.4 Investment facilitation

In the following, we present selected investment facilitation initiatives. We first summarise initiatives for easing the start of a business (chapter 3.1), followed by foreign investment programmes (chapter 3.2) as well as small and medium size enterprises (SME) promotion (chapter 3.3). We conclude with a presentation of Iran›s free zones and special economic zones (chapter 3.4).

3.4.1 Initiatives for easing the start of a business

According to the World Bank, Iran currently stands at 62 in the ranking of 189 economies on the ease of starting a business and continuously works toward making the process of starting a business in Iran easier for investors.

During the last five years, the following regulatory reforms have been taken towards making it easier and safer to start a business in Iran:

▶ In 2010, Iran simplified business start-up by introducing an electronic registration system.

▶ In 2011, Iran eased business start-up by installing a web-portal allowing entrepreneurs to search for and reserve a unique company name.

▶ 2015, Iran made starting a business easier by streamlining the name reservation and company registration procedures.

3.4.2 Foreign investment programmes

Foreign investment is permitted in accordance with the prevailing laws and regulations of the country. All foreign investors are permitted to invest, for the purpose of development of activities and producing goods, in all areas of industry, mining, agriculture and services. However, from the standpoint of the Iranian government, only those investments shall be eligible to enjoy the privileges and protections under FIPPA that have obtained a FIPPA license.

In order to qualify for FIPPA, the main objectives to be achieved by a foreign investment project have to include:

- Enhancing economic growth
- Increasing employment opportunities
- Providing access to and developing new technologies and managerial skills
- Upgrading the quality of products and boosting export capabilities

Iran is a member of the World Bank Multilateral Investment Guarantee Agency (MIGA). As a result, foreign investors can enjoy the guarantee mechanisms of this agency as well. Although FIPPA along with bilateral and multilateral investment agreements signed by Iran provides sufficient protection against non-commercial risks, membership to MIGA gives a double guarantee.

Fundamental rights recognised under FIPPA in favour of foreign investors are as follows:

- The right to transfer profits (dividends) as well as capital and gains on capital in foreign exchange
- The right to receive compensation resulting from expropriation (deprivation of ownership) and nationalisation of foreign capital
- The right to receive compensation resulting from the passing of laws or Cabinet Decrees causing prohibition or interruption in the implementation of financial contracts of foreign investors
- The right to enjoy equitable treatment accorded to domestic investors
- Convertibility and transferability of the funds resulting from various investment and transfer of technology agreements
- Possibility of submission of investment disputes to international tribunals
- Recruitment of foreign staff related to investment projects
- Export of goods and services without any commitment to reintroduce export proceeds to the country (i.e. no surrender commitment requirement)

All foreign natural and juridical persons, international organisations, institutions and companies as well as Iranian natural and juridical persons are qualified to invest in the country in accordance with the provisions of FIPPA.

Foreign investment in Iran is admitted under all forms of legal participation (foreign direct investment) and/or contractual arrangements. Contractual arrangements include all forms of project financing methods within the framework of civil participation, buy-back arrangements as well as different types of Build, Operate and Transfer (BOT) schemes.

Foreign state-owned companies may invest in Iran in accordance with FIPPA, and enjoy privileges available under the law.

3.4.3 SME promotion

The Central Bank of Iran considers businesses with less than 100 employees as small and medium enterprises, which contrasts with the international definition of SMEs. In this Info Package, we use the Iranian definition. Apart from the number of employees, in Iran usually SMEs have three shared characteristics:

1. Unity of ownership and management

2. Individual and family ownership

3. Independence from other businesses

In 2012, banks extended facilities within the framework of the executive by-law on the expansion of Small and Medium Enterprises (SMEs). Accordingly, the value of facilities extended by public banks in line with the mentioned by-law amounted to IRR 284,464 billion by 2012 year-end, showing an increase of IRR 10,888.9 billion compared to the previous year.

The Bank of Industry and Mines, which is the major financial agency for SMEs, provides the only reliable information regarding the financial standing of such firms. An analysis of the allocation of loans, other financial facilities and business services provided by this bank suggested that these services were provided primarily to enterprises with a good market and growing sales.

Importantly, 67 percent of the loans provided by the Bank of Industry and Mines went to small industrial enterprises (employing 10 to 49 workers), while a further 23 percent went to micro enterprises. Medium sized businesses only received 10 percent of the total volume. As it is the bank's policy to provide loans to profitable companies with a good market share, it follows that small sized businesses appear to be more profitable than medium sized companies.