The provisions of foreign investment in Iran

There are two principal legal frameworks to invest in Iran: the classic framework and the framework established in 2002 by the Foreign Investment Promotion and Protection Act (FIPPA).

Under the classic framework, Iranian law does allow now foreign investors to hold 100% of the capital of an Iranian company (except in case of regulated activities such as banking, transportation and advertising activities, which are requiring specific authorization). In this case, the investor cannot have any privilege over a domestic investor and he is subject to a 25% profit tax.

Moreover, in order to promote foreign investments in all sectors and despite international sanctions, Iran has adopted the FIPPA since 2002. This law does allow granting an investment license to any foreign investor by granting guarantees on its investment and some privileges.

Who is giving the FIPPA license?

The application is processed and approved by the Foreign Investment Board of the Ministry of Finances, who has to approve it. The Minister of Economic Affairs and Finances on behalf of the government signs the license. The entire procedure is taking at least 45 days, but longer delays can be observed.

Who can apply for a FIPPA investment license?

Any privately held foreign entity. Investments made by foreign states are accepted if these investments are made through privately held companies. FIPPA can also apply to investments made by Iranian people if capitals are coming from foreign countries.

Which investments are eligible to FIPPA?

Eligible activities are broad. Nevertheless, investment must meet some criteria: investment must create economic growth, improve technology and product quality and have a positive impact on local employment and exports.

Given the nature of these criteria, a meeting with the Ministry of Finance is necessary to set out the project and to apply to the license.

Is there a specific cost to get a FIPPA license?
Iran does not charge any fees for the examination of the application and the issue of the license. However, fees for external advisors (lawyers, economists, etc...) should be provided to assist the investor in the process of obtaining the license.

**What about the repatriation of profits and invested capital?**

Iranian law does provide an absolute guarantee in favor of investor working under FIPPA license to repatriate its benefits and the revenue of the liquidation of the investment.

**What is the tax advantage of a FIPPA investment?**

The general corporate tax rate is in Iran of 25% of the profit. In the case of a FIPPA investment, profits are benefiting from deductions or taxes deductibles, which can differ according to the activity carried out and the place of exploitation. Thus, and according to the case, these allowances can vary from 50% to 100% of tax exemption for durations ranging from 4 to an indefinite period.

**What happens in case of dispute? Is it possible to proceed with arbitration?**

If the dispute is against a privately held entity in Iran, the law of the contract shall apply. Indeed, the FIPPA does authorize jurisdiction clauses providing a recourse to international arbitration.

Nevertheless, if the investor is opposed to Iranian state, the Iranian courts shall have exclusive jurisdiction to hear the dispute unless there is an applicable bilateral agreement between Iran and the state of the investor, which is providing for a dispute settlement mechanism.

For a French investor, the Franco-Iranian Convention from May 12th, 2003 is providing for the recourse to the courts of the host country or to international arbitration under the UNCITRAL rules. It is remaining at the option of the investor.

**The free zones**

It can be more interesting for investors to implant in free zones. These latter are offering many advantages to the investor, such as total taxes exemptions during a 20 years period as from the beginning of the activity. All the foreign investments done in free zones can benefit from advantages of FIPPA to the extent that a license has been granted. Free zones in Iran are Qeshm, Kish, Chahbahar, Arwand, Aras and Bandar Anzali.
About SRDB Law Firm

Having international expertise and specialized teams in Paris, Marseille, Beirut, Tehran, Damascus, Algiers and through its vast network of local experts speaking French, English, German, Arab, Persian and Turkish, SRDB Law Firm is providing legal support to companies in France, Middle East and North Africa and beyond. SRDB Law Firm is specializing in Business Law, with extensive expertise in Mergers and Acquisitions, in Corporate Law, in Contracts Law, in Maritime Law, in Commercial Litigation and Arbitration.

SRDB Paris : 122, Rue du Faubourg Saint-Honoré, 75008 Paris – +33 1 53 83 85 30 – contact@srdb-lawfirm.com
SRDB Marseille : 27, Cours Pierre Puget, 13006 Marseille – +33 4 84 25 63 59 – contact@srdb-lawfirm.com
SRDB Tehran : 5, Bidar Alley, Fereshteh Avenue, Tehran, Iran – + 98 21 22 666 124 – contact@srdb-lawfirm.com