Foreign Investment in Iran

Organization for Investment, Economic and Technical Assistance of Iran (OIETAI)
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Prague, December 2016
Organization for Investment, Economic and Technical Assistance of Iran (OIETAI)
Outline

• Why Iran
• Six Fundamental Strengths
  Legislation
• Tax Holidays
• New Tax Incentives enforceable from March 2016
• Custom Exemption
• Free Zones Facilities
• International Treaties
The Policy

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

• 4th Largest Oil Producer in the World
• 2nd Highest Gas Reserves in the World
• Strategic Location on the Persian Gulf and Strait of Hormuz as a main Maritime Pathways for Crude Oil Transport
• Abundance of Basic Raw Materials and Specially Natural Resources and One of the top Producers of Zinc, Lead, Cobalt, Aluminum, Manganese & Copper in World
• Large Domestic Market with a Population of 78 Million and Middle East Market with more than 350 Million Population
• Developed Infrastructure in Transportation, Telecommunications & Energy
• Trained and Efficient Manpower at a Competitive Cost
1- Diversified: Iran’s Economy is much more than Oil and Gas

- Iran has the largest proven gas reserves in the world and forth – largest proven oil reserves.
- These are key assets that will enable the economy to grow, both in short term and medium term.
- One of the priorities of the Iranian’s government’s 2016-21 Five-Year Development Plan is to increase value added in the oil and gas industry and to improve recovery rates.
- Iran’s economy is the least dependent on crude oil and gas among major Middle Eastern oil-producing countries.
- In 2014, just 23 percent of its real gross value added came from oil and gas. That compares with 30 percent in United Arab Emirates, 40 percent in Saudi Arabia, 50 percent in Kuwait, and 51 percent in Qatar.
Continued

• 2- Educated: Iran produces as many engineers as the United States

• 36 percent of Iran’s university graduates in 2013 earned an engineering – related degree. That puts Iran in the top five in the world for the total number of engineering-related graduates, almost level with the Unites States, and ahead of Japan and, South Korea.
Continued

• 3-Increasingly prosperous: Proportionately more households in Iran have income above $20,000 than China, India or Brazil

• From Brazil to Thailand, one important predictor of rapid economic growth in emerging economies is a rising consuming class with ever – greater spending power and aspirations that go with it. Iran has an abundance of that.

• Some 45 percent of Iranian households already have annual income exceeding $20,000 , a level which define as” Consuming households”.

• As a percentage of the overall population, the current proportion of consuming households is already four times the population in China, (12 percent), and India (11 percent), of the BRICS economies of Brazil, Russia, India and China, only Russia outranks Iran, with 45 of households having an income above $20,000.
Continued

4-Urbanized: Tehran’s GDP is larger than Mumbai’s.

- Eight cities in Iran have more than one million inhabitants, the biggest of which—the capital, Tehran, has over eight million residents. With three-quarters of the population living in cities, Iran is more than twice as urbanized as India and it also beats several European nations, both west and East, including Italy, Portugal, Austria, and Ireland. It is far ahead of China, which has an urbanization level of 56 percent.

- Tehran has a bigger than Mumbai, Dubai, Budapest, Manila and Warsaw and about the same as Manchester and Helsinki.
5- Entrepreneurial: centuries – old business culture lives on.

• There is no Amazon or uber in Iran because American companies are restricted from selling there. But it does not mean Iranians are digitally starved. On contrary, local Iranian version of all these services have sprung up.

• They include:
  • Sheypoor, the Iranian Craigslist,
  • Esam.ir a local version of eBay
  • Café Bazaar, which is a sort of Google Play,
  • Cloob, which is akin to Facebook
  • Among the most successful of the new digital sites is Digikala, one of the biggest e-commerce platforms in the Middle East. It was founded in 2006 and know has 2.4 million unique visitor per month.
Continued

6-Open: Iran’s Trade is as big as Japan’s as a percentage of GDP

• The United States used to be Iran’s seconded partner before the 1979 Revolution, with total trade volume as high as $3 billion annually. China now accounts for almost 40 percent of all of Iran’s trade. India and turkey also have boosted their commercial ties with both taking a 16 percent share of overall trade apiece.

• Iran’s exports have fluctuated in recent years but still amount to about one-third of GDP. This on par with Japan and Australia. In absolute terms, Iran exports more than Egypt and morocco combined.
The Legislation

• The Foreign Investment Promotion and Protection Act (FIPPA):
  o Substitutes Former LAPFI
  o Ratified in 2002
• The Corpus:
  o Implementing Regulations of the FIPPA
OIETAI

- Founded in June 1975

- The main official authority to promote and protection of Foreign Investment

- Investigation of all issues related to foreign investment such as:
  - Admission
  - Importation
  - Utilization
  - Repatriation

Ministry of Economic Affairs & Finance

Foreign Investment Board

Foreign Investment Dep.
Loans, International Organizations & Institutions Dep.
Foreign Economic Relation Dep.
Financial & Foreign Loans Dep.

Foreign Investment Services Centre (FISC)
Foreign Investment Services Center (FISC)

Established at OIETAI with objectives of:

• Facilitation of Issues related to the admission and activities of FDI
• Facilitation of official procedures for required permissions and licenses
• Coordination with Executing Agencies Related to Foreign Investment
FISC Members from Relevant Executing Agencies

- I.R.I Customs Administration
- Tax Organization
- Any Organization as per the case
- Central Bank of Iran
- Office for registration Companies & Industrial Property
- Department of Environment
- Ministry of Agriculture
- Ministry of Industry, Mine & Trade
- Ministry of Labor
- Ministry of Foreign Affairs
- Ministry of Industry, Mine & Trade
- Ministry of Foreign Affairs
- Ministry of Environment
Key Services Offered by FISC

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

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

1. Direct Investment

(Equity Participation) in All Areas Open to Iranian Private Sector

2. Investment through Contractual Arrangements

(Non-Equity Forms):
- Buy Back Arrangements
- Civil Partnership
- BOT Schemes
Risks Covered By FIPPA

- Currency Transfer
- Nationalization & Expropriation
- Government Intervention and Breach of Contracts by Government
Some Other Features of FIPPA

• No Limit on
  ▪ Equity Percentage
  ▪ Volume of Investments
  ▪ Capital Repatriation
  ▪ Types of Capital Imported

• Article 35 Services
  ▪ 3 years Multi-entry Visa
  ▪ 3 years Residence Permit
  ▪ Work Permit
Investment Licensing Procedure

1. Submission Of Application
2. Preparation And Submission Of a Report
3. Foreign Investment Board
4. Draft License Communicated
5. Final License Issued by Minister of Economic Affairs and Finance

- Max 5 Days
- Max 10 Days

Organization for Investment, Economic and Technical Assistance of Iran (OIETAI) www.investiniran.ir
### Tax Incentives

<table>
<thead>
<tr>
<th>Income Tax with Rate of 0.0%</th>
<th>Duration of Exemption</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry, Mining &amp; Services (Hospital &amp; Hotels) located in Main Land</td>
<td>5 Years</td>
</tr>
<tr>
<td>Industry, Mining &amp; Services (Hospital &amp; Hotels) located in Industrial Parks and Especial Economic Zones</td>
<td>7 Years</td>
</tr>
<tr>
<td>Industry, Mining &amp; Services (Hospital &amp; Hotels) located in Less Developed Areas</td>
<td>10 Years</td>
</tr>
<tr>
<td>Industry, Mining &amp; Services (Hospital &amp; Hotels) in Industrial Parks and Especial Economic Zones located in Less Developed Areas</td>
<td>13 Years</td>
</tr>
</tbody>
</table>

100% of income derived from agricultural activities.
100% of income derived from export of services, non-oil goods activities.

- Total Taxable income <= registered Capital
  - In less developed areas,
  - Total Taxable income <= **double of** registered Capital
    - In case of each 5% foreign investment, 10% will be added to these 2 incentives, maximum up to 50%

50% of income is free of tax
100% of income is free of tax

Permanent
Permanent
Tax Incentives

• In companies with more than 50 employees, in case of increasing the employment volume at least 50% in comparison to last year, one-year exemption can be added to the duration of exemptions (mentioned in previous slide).

• In the case that foreign companies with reliable Brand produce goods by using production capacity of Iranian companies and export at least 20% of total production, can enjoy 50% on Tax Rate for the income from sales of products (12.5 % instead of 25%) after the end of above duration.
Custom Exemption

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

North of Iran:
• Maku Free Trade Zone
• Aras Free Trade Zone
• Anzali Free Trade Zone

South of Iran:
• Arvand Free Trade Zone
• Kish Free Trade Zone
• Qeshm Free Trade Zone
• chabahar Free Trade Zone
Investment Incentives in Free Zones

• 7 free Zones in Iran:
  o 2 in North-West (Aras, Makou)
  o 1 in North (Anzali)
  o 3 in South (Kish, Geshm, Chabahar)
  o 1 in South-East (Arvand)

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

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

• Avoidance Double Taxation Agreement
• Iran has negotiated and signed Avoidance Double Taxation Agreement With 55 countries.

Fortunately this treaty came into force since 2015 between Iran and Czech Republic.
IRAN Investment Guide and Other Publications

Including:

• Introducing Iran macroeconomic performance
• investment climate
• Areas of Opportunities
• The Regulatory Framework
• Visas & Work Permit and procedures to obtain required permissions and licenses for doing business in Iran
### Success story 1 (South Africa)

<table>
<thead>
<tr>
<th>Iranian JV</th>
<th>Mtn Irancell</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investor</td>
<td>MTN International (Mauritius) Limited</td>
</tr>
<tr>
<td>Foundation</td>
<td>2006</td>
</tr>
<tr>
<td>Project</td>
<td>Construction and Operation of 2nd nation wide GSM network</td>
</tr>
<tr>
<td>Model of Investment</td>
<td>FDI and by getting the 49% of Iranian company shares.</td>
</tr>
<tr>
<td>Amount of Foreign Investment</td>
<td>1.45 Billion Us dollar</td>
</tr>
</tbody>
</table>
## Success story 2: (France)

<table>
<thead>
<tr>
<th>Iranian JV</th>
<th>Renault Pars Co</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investor</td>
<td>Renault s.a.s.</td>
</tr>
<tr>
<td>Foundation</td>
<td>2004</td>
</tr>
<tr>
<td>Project</td>
<td>Production of passenger cars</td>
</tr>
<tr>
<td>Model of Investment</td>
<td>FDI and by getting the 51% of Iranian company shares.</td>
</tr>
<tr>
<td>Amount of Foreign Investment</td>
<td>780 million Us dollar</td>
</tr>
</tbody>
</table>
# Success story 3 (Turkey)

<table>
<thead>
<tr>
<th>Iranian JV</th>
<th>Pars Hayat Saglik Urunleri</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investor</td>
<td>Hayat Kimya Sanayi ve Ticaret Mr. Ahmet Yahya Kigili Mr. Mehmet Avni Kigili</td>
</tr>
<tr>
<td>Foundation</td>
<td>2007</td>
</tr>
<tr>
<td>Project</td>
<td>Production of hygienic paper products</td>
</tr>
<tr>
<td>Model of Investment</td>
<td>FDI and by getting the 100% of Iranian company shares.</td>
</tr>
<tr>
<td>Amount of Foreign Investment</td>
<td>177 million Us dollar</td>
</tr>
</tbody>
</table>
## Success story 4 (Netherland)

<table>
<thead>
<tr>
<th>Iranian JV</th>
<th>Unilever Iran</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investor</td>
<td>Unilever Holdings B.V.</td>
</tr>
<tr>
<td>Foundation</td>
<td>2003</td>
</tr>
<tr>
<td>Project</td>
<td>Production of Food, tea and personal care products</td>
</tr>
<tr>
<td>Model of Investment</td>
<td>FDI and by getting the 99.3% of Iranian company shares.</td>
</tr>
<tr>
<td>Amount of Foreign Investment</td>
<td>59 million Us dollar</td>
</tr>
</tbody>
</table>
### Success story 5 (Germany)

| Iranian JV         | Knauf Iran  
|                   | Iran Gach   
|                   | Knauf Gach  |
| Investor          | Gebr Knauf Verwaltungsgesellschaft KG |
| Project           | Production of gypsum plaster boards |
| Model of Investment | FDI and by getting the 86.2 % of Knauf Iran company shares, 82.3 % of Iran Gach and 100% of Knauf Gach |
| Amount of Foreign Investment | 71 million Us dollar |
### Success story 6 (Switzerland)

<table>
<thead>
<tr>
<th><strong>Iranian JV</strong></th>
<th>Nestle Iran</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Investor</strong></td>
<td>Nestle S.A.</td>
</tr>
<tr>
<td><strong>Foundation</strong></td>
<td>2001</td>
</tr>
<tr>
<td><strong>Project</strong></td>
<td>Production of infant formula and cereals</td>
</tr>
<tr>
<td><strong>Model of Investment</strong></td>
<td>FDI and by getting the 75% of Iranian company shares.</td>
</tr>
<tr>
<td><strong>Amount of Foreign Investment</strong></td>
<td>73 million Us dollar</td>
</tr>
</tbody>
</table>
THANK YOU

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