

# **LAW OF THE ATTRACTION AND PROTECTION OF FOREIGN INVESTMENT**

**The profits of foreign investment in Iran shall be partially or totally regarded as part of the original capital.**

**Article 1.** The facilities mentioned within this law shall incorporate all the foreign individuals, companies and private institutions, having received the Iranian government's approval ( under Article 2 below ) to export their capital as cash, factory property, machinery, equipment, right invention, specialised services, etc., for the purposes of development and production, either in industrial, mineral, agricultural or transport activities.

**Article 2.** The incoming proposals shall be considered at the committee of the Bank Melli Iran, to be attended by the bank's president, deputy ministers of finance, industries and mines, foreign affairs, commerce, chief or deputy chief of the Plan and Budget Organisation, president or vice-president of the Tehran Commerce Chamber, and the chief of the Foreign Exchange Commission of the Bank Melli.

The decisions of the committee will be brought up at the cabinet by the minister of commerce for approval.

The cabinet will give top priority to proposals concerning investment in other provinces.

**Article 3.** The capitals imported under Article 1 into Iran and their profits shall be covered by the law. The foreign corporations and investments shall enjoy all the facilities, rights and exemptions offered to domestic manufacturing, private corporations and investment.

If a saw expropriates a capital owner of his ownership right, the government shall fairly compensate for the losses, provided that the applicant submits his request within three months to the committee under Article 2. Any difference over the compensation of the loss shall be settled at the authorised Iranian Courts. In such cases, the government may ignore the Article 5 to authorise transfer of capital to the overseas.

**Note 1:** The law of the ownership of real estate by foreign nationals, passed on 6 June 1931, shall hold good.

**Note 2:** The individuals, private companies and institutions mentioned in Article 1 may not transfer their rights or shares to their corresponding governments or other states.

**Article 4:** The capital owner may withdraw profits of his capital each year up to the ceiling asserted in the regulation.

**Article 5:** The capital owner may withdraw the original capital or its profits three months after issuing a public note to the committee under Article 2, in line with provisions passed in July 1944 by the International Monetary Fund. The capital owner must keep at least 10 per cent of the original capital for six months in Iran for the settlement of likely obligations.

**Article 6:** The law extends permit of operation to the institutions and nationals of the countries in which the Iranian nationals and institutions can work freely.

**Article 7:** The government should draw up and suggest the necessary regulations to the relevant commissions of the assemblies for approval.

The law, which includes seven articles and two notes, was passed by the national Consultative Assembly on Tuesday 28 November 1955.

### **Executive Regulation of the Law of the Attraction and Protection of Foreign Investments**

**Article 1:** Any individual or legal party transferring his capital to Iran for development and production, either in industrial, mineral, agricultural or transport activities, or to assist the Iranian institutions working in the mentioned fields shall enjoy the privileges of the law of the attraction and protection of foreign investments, provided that:

- A. It focuses on the field in which the domestic private companies are allowed to operate.
- B. It does not prove a monopoly.
- C. The capital comes from a private investor not a foreign government.

**Note 1:** In case a foreign government is implicated in the investment, the capital should be withdrawn in a certain period of time as specified by the supervision committee.

**Note 2:** The development activity is a term used to describe the activities that raise the public income, or save in foreign exchange expenditures directly or indirectly .

**Note 3:** The foreign banks and their branch offices set up in Iran shall enjoy the privileges of the law and executive regulation of the attraction and protection of foreign investments, provided that they do not contradict the banking laws and regulation.

**Article 2:** According to the regulation, foreign capital translates into:

- A. the money imported into Iran through the authorised banks.
- B. Machinery, equipment and spare parts approved as modern by the supervision committee. The Spare parts should be related to the factory that is

being transferred as the capital. The imported spare parts should be listed as the factory capital, not the current expenditures.

- C. Ground , marine and air transport vehicles relevant to the factory's activity
- D. Right of invention relevant to the job and approved by the supervision committee.
- E. Salary of specialists paid before the start of the project in foreign exchange.
- F. The partial or complete amount of the profits earned in Iran that have been added to the original capital or transferred to another organisation covered by the law of the attraction and protection of foreign investments

**Article 3:** The individuals or institutions of Article 1 that want to import their capitals into Iran, should submit their application with a questionnaire containing the following points either in Farsi, English or Franch to the supervision committee:

- A. Identity of the individual of institution
- B. Country of origin of the capital
- C. Nature of capital
- D. Place of residence and operation
- E. Nature of activity ( independent or partner ship )
- F. Domain of activity in Iran
- G. Sponsor

**Article 4:** The supervision committee will carry out its task in accordance with this regulation. Should the committee agree to the arrival of the capital, it will announce its opinion to the minister of commerce for discussion and approval at the cabinet

**Article 5:** After receiving the agreement of the cabinet, the applicant should declare the list of the non-cash capitals which he is planning to bring into Iran and present an international certificate to be approved by the supervision committee.

After assessing the case, the supervision committee will give the foreign investor or his agent the go-ahead for the arrival of the capital, a stage that translates into the consent for the start of the operation.

**Article 6:** The foreign investor can provide insurance coverage for his capital. In case the insured receives any compensation from the foreign insurer for his loss, it shall not be considered a transfer of money.

**Article 7:** The recipient of the license shall import his capital within a year of the issuance of the licence. Otherwise, the licence will be considered null and void. In case of any Justified delay, the supervision committee may extend the licence for another six months.

**Article 8:** The cash capital should be in a currency accepted by the Bank Melli Iran in order to be converted into rials. As soon as the capital is transferred to the bank, it will be registered in the name of the investor, etc. Paid overseas will be also registered in certain records.

**Article 9:** Based on an agreement between the two sides, the Bank Melli Iran may purchase the converted currency. Upon the withdrawal of the capital, the bank will have to convert the rial into the original currency at the same rate of purchase.

**Article 10:** The capitals remaining as foreign currency in the bank may be used by the account holder to pay for his foreign orders or domestic purchases. The account holder may even withdraw the money under Article 5 of the law of the attraction and protection of foreign investments. The Bank Mellio Iran shall announce a list of the expenditures at the end of each month to the supervision committee.

The foreign investor may withdraw earned profits in the original currency after deducting taxes, duties and legal deposits.

**Article 11:** The non-cash capital imported under the regulation will fall outside the annual quota.

**Article 12:** If the investor imports the capital in the form of defective goods or at a rate lower than the declared price, the supervision committee will rule that part of the capital out of the investment account.

**Article 13:** The investor may transfer the original capital or profits under Article 1 of the law of the attraction and protection of foreign investments overseas in the form of foreign exchange or authorised good provided that he meets the following points :

A. After the supervision committee considers the balance, determines the annual profit and deducts the taxes The supervision committee may not delay issuance of the permit for more than three months of receiving the balance sheet. In case the government's foreign exchange shortages block the withdrawal of the profits partially or totally, the investor will be allowed to withdraw authorised goods without depositing any security funds.

B. The foreign investors seeking to withdraw his capital under Article 5 of the law of the attraction and protection of foreign investments should draw up his balance sheet after the end of operation in Iran and submit it to th supervision committee along with a prior notice under Article 5.The supervision committee will consequently release the consent. The period cited in the licence should not exceed three months, unless the withdrawn capital is huge enough to creat

foreign exchange shortage. In this case, the supervision committee will impose a longer period of withdrawal. At any rate, the withdrawn amount shall not stand less than 30 per cent of the capital each year.

C. The foreign exchange rate shall be determined in accordance with the day of the transfer.

D. The additional revenue garnered by the Jump in the sale of real estate may not be converted into foreign exchange. The investor, however, may withdraw Iranian goods instead.

E. Upon the sale of the original capital or his shares, the foreign investor may channel the sales proceeds partially or entirely to other activities.

F. Observing Note 2 of Article 3, the foreign investor may sell his shares, without the consent of the supervision committee, to another foreign investor. The new investor shall replace the previous one under the law of the attraction and protection of foreign investments.

G. Should the foreign investor fail to withdraw the profits in a certain period of time and to place a request with the supervision committee for the extension of the period, the capital and profits shall remain intact but outside the law of the attraction and protection of foreign investments.

H. The Bank Melli Iran and the Foreign Exchange Commission should give the foreign investor the original capital or profits for withdrawal.

I. In case the foreign investor wishes to export the original capital of the transferred shares as goods, the ministries of Finance and Commerce should issue the licence without demanding foreign exchange commitment. The investor may even withdraw part or the total amount of the annual profits, and register it as capital in the same establishment or elsewhere agreed by the supervision committee.

**Note :** In case of likely losses caused on the capital, only that part of the capital which has remained intact shall fall under the above regulation.

**Article 14:** Loss compensation of Article 3 shall be carried out promptly before expropriation.

**Article 15:** The institutions whose offices are overseas shall be exempt of paying the right of registration.

**Article 16:** The foreign investor may easily withdraw the machinery that he had imported without transferring any foreign exchange into Iran.

**Article 17:** At the discretion of the chief of the supervision committee (president of Bank Melli Iran ) for discussions over industrial issues, the deputy minister of mines and metals will be invited in to attend the supervision committee. In the case of mining activities, the deputy minister for mining affairs will be called to

attend the commerce and banking, the deputy minister of commerce will be invited.

**Article 18:** The duties slapped on the supervision committee under the law of the attraction and protection of foreign investments shall be considered their main responsibilities. The wages of the specialists shall be supplied by the Bank Melli Iran. This regulation was drawn up in 18 articles and four notes. After passing the relevant commission of the Senate in its October 9 1956 session, the regulation was ratified by the Commercial Commission of the National Consultative Assembly. The regulation wilol be henceforth effective as the law of the attraction and protection of foreign investment.