



DOING BUSINESS IN IRAN

Iran at glance

The first Iranian state was the Persian Empire, which rose in the first millennium BC and was for centuries the largest in the world. It was conquered by Alexander the Great in 330 BC, and later overwhelmed by Arab Muslim conquerors in the 7th century AD. Iran became part of the Abbasid caliphate and its culture was both Islamic and itself exerted an influence on the rest of Islam. The Persian language and a distinct Iranian culture survived, to be reasserted and reinvented by most of the region's rulers.

In the 10th and 11th centuries, the caliphs lost effective control of Iran to Persian and Turkish rulers, and in the 13th century the region was conquered by the Mongols, who themselves later converted to Islam. Mongol control diminished, and by the 16th century the Safavids, a powerful family from the north-west emerged to unify Iran for the first time in the Islamic era under Islam. He proclaimed himself shah, and made Shia Islam Iran's state religion.

Iran was weakened by wars in the 17th and 18th centuries and new dynasties followed the Safavids, notably the Turkic Qajars. New rivals emerged in Russia—to whom Iran lost much of the Caucasus and central Asia in 19th-century wars—and Britain, which sought a buffer between expanding Russia and nearby India. The two European powers came to dominate Iran. By tacit agreement, Russia took a sphere of influence in the north and Britain in the south, and each power interfered in local politics and forced trade concessions on its part of Iran. Large oil deposits were discovered in 1908, and when the monopolist Anglo-Persian Oil Company was formed in 1909, Britain controlled a majority share.

Iran, officially the Islamic Republic of Iran, country in southwestern Asia, located on the eastern shore of the Persian Gulf with an area of 1,648,195 square kilometers, Iran lies at the eastern most edge of the geographic and cultural region known as the Middle East and it is the second largest country in this area. The country is bordered on the north by Armenia, Azerbaijan, the Caspian Sea, and Turkmenistan; on the east by Afghanistan and Pakistan; on the south by the Gulf of Oman, the Strait of Hormuz, and the Persian Gulf; and on the west by Iraq and Turkey. It is divided into 28 provinces and has 241 towns and cities. Iran's capital and largest city is Tehran, located in the northern part of the country.

The country's population, while technically and linguistically diverse, is almost entirely Muslim. For centuries, the region has been the center of the Shia branch of Islam.

Nearly all of Iran's numerous rivers are relatively short, shallow streams unsuitable for navigation. The country's only navigable river, the Karun, flows through the city of Ahvaz in the southwest.

More than half of Iran's international border of 4,430 km (2,750 mi) is coastline, including 740 km (460 mi) along the Caspian Sea in the north and 1,700 km (1,100 mi) along the Persian Gulf and adjacent Gulf of Oman in the south. Both the Caspian Sea and the Persian Gulf have important ports and contain extensive underwater deposits of oil and natural gas. Iran's largest harbor, Bandar-e 'Abbas, is located on the Strait of Hormuz, the narrow passage separating the Persian Gulf and the Gulf of Oman.

Iran's extensive petroleum and natural gas deposits are located primarily in the southwestern province of Khuzestan and in the Persian Gulf. Iran also has one of the world's largest reserves of copper; deposits are located throughout the country, but the major lode lies in the central region between the cities of Yazd and Kerman. This region also serves as a center for the mining of bauxite, coal, iron ore, lead, and zinc. Additional coalmines operate throughout the Elburz Mountains; iron ore mines also exist near Zanzan in the northwest, near Mashhad in the northeast, and on Hormuz Island in the Strait of Hormuz. Iran also has valuable deposits of aluminum, chromites, gold, manganese, silver, tin, and tungsten, as well as various gemstones, such as amber, agate, lapis lazuli, and turquoise.

Despite the great climatic variety of Iran, its average annual precipitation is about 250-300 millimeters. On this account, Iran is ranked among the semi-arid countries of the world. However with the great efforts made by Iranian experts to construct dams and to domesticate wastewater within the past two decades, it is hoped that the problem of water shortage will be solved in a not so remote future. It is worth mentioning that only a quarter of Iran's area is endowed with fertile lands and mild, favorable climate. Small as may seem this figure in comparison with the whole surface area, it represents an area larger than Germany, Belgium and Netherlands grouped together.

The population of Iran was estimated at 67,000,000 in 2001, 36.8 million live in urban, and the rest in rural areas. This figure is more than double the 1975 population of 33,379,000. 44 percent of the population was under age 15, 53 percent was between 15 and 64, and only 4 percent was aged 65 or older. Overall population density in 2001 was 40 persons per sq km (104 per sq mi).

Policy Issues

Iran's five-year economic plans have emphasized a gradual move towards a market-oriented economy and the development of the private sector, but political and social concerns have hampered the applications of sound economic policy, and large external debt repayments limited policy options throughout much of the 1990s. The third five-year plan, which came into force in 2000, commits the government to an ambitious program of liberalization, diversification and privatization. The resolution of Iran's external debt problems eased the policymaking environment and facilitated the unification of the exchange rate at the start of 2002, but significant political obstacles to rapid reform remain.

Taxation

New Iranian tax laws are simply with the flat rate for corporate tax. The tax rate is 25% fixed rate. The new Tax Law shareholders don't pay any tax. Salary income of employees subject to the Law of 06/13/1370 concerning the Coordinated System of Payments to Civil Servants, less the exemptions provided in this Act, shall be subject to tax at a flat rate of 10%. As regards the other salary receivers, up to IRR 42,000,000 of their salary income, minus the exemptions envisaged under the present Act, shall be subject to the same rate of 10%, and the rates of the Article 131 hereof shall apply to the rest thereof.

Iran Economic Data

Description	1999	2000	2001	2002	2003*
GDP per head (\$ at PPP)	6,614	7,002	7,422	7,820	8,790
GDP (% real change pa)	1.75	5.20	4.97	5.70	3.1
Government consumption (% of GDP)	14.30	14.04	14.61	14.30	14.40
Budget balance (% of GDP)	-0.16	-0.65	-0.51	2.60	2.1
Consumer prices (% change pa;av)	20.08	14.48	11.30	14.30	15.1
Public debt (% of GDP)	46.37	32.90	29.13	23.80	24.6
Labour costs per hour (USD)	22	29	31	38	46
Recorded unemployment (%)	-12.5	-13	-13.6	-14	-14.6
Current- account balance/GDP	12.14	17.97	6.26	3.10	3.30
Foreign-exchange reserves (billion \$)	5,284	12,527	17,468	20,568	27,440
Notes					
GDP (% real change pa)	Years are fiscal years beginning March 20				
Foreign-exchange reserves	Since start 2000, includes Oil Stabilization Fund				

* Estimate

Who are taxable persons in Iran?

According to article (1) of direct taxes act the following persons shall be subject to taxation:

- (1) All the owners - whether natural or juridical persons with regard to their personal and real properties located in Iran, in conformity with the provisions of the Title (B);
- (2) Every Iranian real person residing in Iran, on all his incomes earned in Iran or abroad;
- (3) Every Iranian real person residing abroad, on all his incomes earned in Iran;
- (4) Every Iranian juridical person with respect to all its incomes earned in Iran or abroad; and
- (5) Every non-Iranian person (whether real or juridical) with regard to his/its incomes earned in Iran, as well as in respect of the incomes derived by such person from Iranian sources for granting of licenses and other rights, or for the provision of training and technical assistance and also for the transfer of cinematographic films (whether the latter income is received as the price, or the fee for the screening, of the films, or under any other titles).

Who are not taxable persons in Iran?

The following persons shall not be subject to taxes provided in this Act:

- (1) government ministries and institutions;
- (2) institutions whose budgets are financed by the government; and
- (3) municipalities.

Note 1: The companies whose capital is entirely or partially owned by the persons and institutions mentioned in the above paragraphs, shall not be subject to the provisions of this Article in respect of that portion of their income or profit which belongs to those persons and institutions. The rule of this Note shall not prevent such companies from enjoying the exemptions provided in this Act, in case of being applicable.

Note 2: The income from economic activities such as industrial, mining and commercial operations, services and other producing activities -that may be derived by the persons subject to this article through non-company channels as well- will be taxed, separately for each case, at the rate of the Article 105 hereof.

In such cases those responsible for administration of the relevant affairs are obligated to discharge their duties under the present Act with regard to the share of income attributable to the aforesaid activities. Otherwise, such persons and respective taxpayers shall have joint and several liabilities for the payment of the applicable taxes.

Note 3: Whenever the tax exemption referred to in this article pertains to cases for which some authorization from Hazrat Imam Khomeini (upon him be the grace of God) or the High Spiritual Leader does exist, the relevant cases shall be treated according to the view of High Spiritual Leadership.

What are the various types of direct taxes?

According to the direct taxes act amendments up to Feb.2002 all various types of direct taxes are:

Property taxes (inheritance tax, Stamp duty), income tax (Real state income tax, tax on income from agriculture, tax in salary income, tax on business income, tax on the income of juridical persons, tax on incidental income and tax on aggregate income).

What are miscellaneous provisions?

According to the article 132 to 146 of direct taxes act:

80% of the income from producing and mining activities, which is derived and declared by producing and mining enterprises of cooperative or private sectors for whom exploitation licenses are issued, or with whom extraction and sale contracts are concluded, from the beginning of the year 1381* onwards by relevant ministries, shall be exempt from the tax set forth in the Article 105 hereof for a term of 4 years beginning from the date of exploitation or extraction. As regards the less developed regions, the exemption shall apply to 100% of the income for a term of 10 years.

Note 1: The list of less developed regions shall be prepared by the State Organization of Management and Planning and ministries of Economic Affairs and Finance and Industries and Mines, and will be approved by the Council of Ministers, for the rest of the term of the third economic, social and cultural development plan of the Islamic Republic of Iran, and also at the beginning of the term of each of the forthcoming development plans.

Note 2: The exemption provided under this Article shall not apply to the income of producing and mining units established within a 120-kilometer radius from the center of Tehran or within 50-kilometer radius from the center of Isfahan and also within a 30-kilometers radius from the administrative centers of provinces and cities with a population of more than 300,000, according to the latest census, except for industrial townships established within the same 30kilomenres radius from the latter province centers and cities.

Note 3: All enterprises for internal and international tourism that hold exploitation permit from the Ministry of Culture and Islamic Guidance

shall enjoy an annual exemption with regard to 50% of their applicable taxes.

Note 4: The rules for determining the date of commencement of exploitation of exempt enterprises subject to this article, and also for determination of the confines referred to in the Note 2 above, will be specified and declared by the ministries of Economic Affairs and Finance and Industries and Mines.

100% of the income derived by rural, tribal, agricultural, fishermen, workers, employees, students and pupils cooperative societies and their unions shall be exempt from taxation.

Are there safeguards against being re-taxed in the Law of Direct Taxation?

In Order to prevent double taxation, the government of Iran has signed agreements with a twenty six states as follow:

Germany, France, Armenia, Oman, Turkmenistan, South Africa, Syria, Ukraine, Kazakhstan, Georgia, Bosnia Herzegovina, Lebanon, Sir Lanka, Qatar, Pakistan, Russia, Switzerland, Austria, Turkey, China, Jordan, Croatia, Malaysia, Uzbekistan, Kirkhizestan.

How is calculate the foreigner's taxes according article (88) of direct taxes?

Whenever the salary is received from the persons who reside abroad and have no branches or representatives in Iran, the salary receivers are required to pay, in accordance with the provisions of this chapter and within thirty days from the date of receiving of such salary, the tax applicable thereon to the tax affairs office of the district where they are domiciled. They are also obligated to submit, up to the end of the month Tir* of the next year, a tax return on the salary received by them to the same tax affairs office.

But if the foreigners don't have legal ledgers the tax state organization calculate their tax according Regulation No. 2726 dated 6/11/1377 (January 25.1999) provides certain arbitrary monthly salaries for different positions of individuals segregated by nationality. The practice of the ministry assumes the rated specified in this regulation as the minimum monthly income for the individual concerned. The rates are as follows: (All figures are in USD)

Work	Nationality						
	West Europe, USA, Canada, Japan and Brazil	S. Korea, Malaysia, Australia, New Zealand & Latin America	Russia, East Europe, CIS countries	Turkey, South Africa, Gulf countries	India, Pakistan, Egypt and Libya	Bangladesh, Iraq and Afghanistan	African Countries and other countries
Managing director	7,000	4,900	3,220	4,200	2,800	2,100	2,450
Branch manager	7,000	4,900	3,220	4,200	2,800	2,100	2,250
Vice president	6,000	4,200	2,760	3,600	2,400	1,800	2,100
Senior Expert/Technician	5,000	3,500	2,300	2,000	2,000	1,500	1,250
Experienced Technician & Experienced foreman	4,000	2,800	1,840	2,400	1,600	1,200	1,200
Experienced worker and Technician	3,000	2,100	1,280	1,	1,200	900	1,050
Simple worker	2,500	1,750	1,150	1,500	*	*	*

What is comparative table between Iranian & Foreigner calendar?

Iranian solar year begins at the first equinox and divides into 12 months. The first (6) months are 31 days long and the next 5 months are of 30 days each. The last month of the year has 29 days in ordinary years and 30 days in leap years. The following table shows the names and duration of Iranian months and their correspondence to the months of the Gregorian calendar.

DAYARAYAN
Auditing & Financial Services

Months	number of days	beginning at	ending at
Farvardin	31	March 21	April 20
Ordibehesht	31	April 21	May 21
Khordad	31	May 22	June 21
Tir	31	June 22	July 22
Mordad	31	July 23	August 22
Shahrivar	31	August 23	September 22
Mehr	30	September 23	October 22
Aban	30	October 23	November 21
Azar	30	November 22	December 21
Day	30	December 22	January 20
Bahman	30	January 21	February 19
Esfand	29*	February 20	March 20**

*30 days in Iranian leap years

**March 19 in Gregorian leap years

How are different taxes calculating according article 105 of direct taxes act?

The aggregate income of companies, and also the income from the profit-making activities of other juridical persons, derived from different sources in Iran or abroad, less the losses resulting from non-exempt sources and minus the prescribed exemptions, shall be taxed at the flat rate of 25%, except the cases for which separate rates are provided under the present Act.

Note 1: with regard to the Iranian noncommercial juridical persons that are not established for distribution of profits, should they engage in profit-making activities, the total taxable income derived from such activities shall be taxed at the rate set forth in the present Article.

Note 2: Foreign juridical persons and entities residing abroad, except those subject to the Note 5 of the Article 109 or Article 113 hereof, shall be taxed at the rate set forth in this Article in respect of the aggregate taxable income derived from the operation of their investment in Iran or from the activities performed by them, directly or through the agencies like branches, representatives, agents and the like, in Iran, and also with regard to the income received by such persons and entities from Iran for granting of licenses and other rights, or for transfer of technology or provision of training and technical assistance and cinematographic films. The representatives of such foreign persons and enterprises in Iran shall be subject to taxation, according to the provisions of this Act, with respect to the income they may earn under any titles in their own account.

Note 3: At the time of computation of the income tax of juridical persons, whether Iranian or foreign, the pre-paid taxes shall be deducted from the applicable tax according to the pertinent regulations, and any overpaid amount shall be refundable.

Note 4: The persons, whether real or juridical, shall not be subject to any other taxes on the dividends or partnership profits they may receive from the capital recipient companies*.

Note 5: In cases where according to the enacted law some payments other than income tax are to be collected on basis of taxable income, the tax of relevant taxpayers shall be computed at prescribed rates after deduction of such non-tax charges.

How are foreigner's companies' taxes calculated according article (107) of direct taxes act?

The taxable income of foreign juridical persons and enterprises residing abroad shall be assessed as follows:

(a) In case of contracting business in Iran with regard to all types of work in the fields of construction, installations and technical installations, including procurement and setting up of the same, and also in the fields of transportation, preparation of design for buildings and installations, topography, drawing, supervision and technical calculations, provision of training and technical assistance, transfer of technology and other services, the taxable income in all cases will be 12% of total annual receipts.

(b) In case of income derived from Iran for granting of licenses and other rights or transfer of cinematographic films, whether the latter income is received as the price or the fee for the screening of the films, or under any other titles, the taxable income shall consist of 20% to 40% of all payments received by them during a tax year. The applicable coefficients for determination of taxable income in each of the cases mentioned in this paragraph shall be determined on basis of the proposal of the Ministry of Economic Affairs and Finance and approval of the Council of Ministers. Those making the said payments or the payments mentioned in the paragraph "an of this article, shall be required to withhold, from each payment, the applicable tax by taking into account the total payments made from the beginning of the year up to the date of each relevant payment. They should remit the withheld amounts, within ten days, to the tax affairs office local to their residence. Otherwise, the receivers shall be jointly and severally liable for payment of the basic tax and other payments related thereto.

(c) As for the operation of capital and other activities performed by the aforesaid legal persons and enterprises in Iran through the agencies such as

branches, representatives, agents and the like, the regulations of the Article 106 of this Act shall apply.

Note 1: In cases where the contract operations subject to paragraphs (a) and (b) of this article are wholly or partly assigned to Iranian legal entities as contractors, those making payments to such Iranian contractors should withhold 2.5% of each payment as their on account tax and remit it, within thirty days from the date of payment, to the account to be determined by the State Organization of Tax Affairs.

Note 2: If the relevant employer of the contract subject to the paragraph (a) of this article is a ministry, a government institution, a state company or a municipality, then that part of the contract price which is used for purchase of supplies and equipment from domestic or foreign sources shall be exempt from taxation, provided the amounts relevant to those supplies and equipment are included, apart from other items, in the contract or in its further amendments or supplements.

Note 3: Branches and agents of foreign companies and banks in Iran that are engaged in gathering information or finding markets in Iran for their parent entities, without having the right to make transactions, and receive remuneration from them against their expenditures, shall not be subject to taxation in respect of such remuneration.

Note 4: In cases where foreign contractors assign, wholly or partly, the contract subject to the paragraph (a) of this article to Iranian legal entities as subcontractors, any part of the receipts of the main contractor in respect of the supplies and equipment that are mentioned in the first hand contract but purchased by the subcontractor, will be exempt from taxation.

Note 5: The taxable income of the activities subject to the paragraph (a) of the Article 107 hereof, the contracts of which will be concluded from the beginning of the year 1382* onwards, shall be assessed according to the regulations of the Article 106 of this Act. The rule of this Note shall not apply to the remaining part of the activities of the contracts concluded before the year 1382*.

Important note: non-residing foreign juridical persons (article (5) above) have not legal ledger (non-registered branch in Iran) they include article (104) and the rate of with holding tax is 5%.

What are the rates of income tax from real persons in direct taxes act?

According to article (13) of direct taxes act the rates of income tax of real persons, except where separate rates are provided under the present act, shall be as follows:

Annual taxable income		Rates	of the excess over
up to	IRR 30,000,000	15%	---
up to	IRR 100,000,000	20%	IRR 30,000,000
up to	IRR 250,000,000	25%	IRR 100,000,000
up to	IRR 1,000,000,000	30%	IRR 250,000,000
over	IRR 1,000,000,000	35%	IRR 1,000,000,000

How is the tax situation in Iran Free Trade- industrial Zones in Iran?

According to Article (13) of the Law Concerning the Manner of Administering the Free Trade Industrial Zone of the Islamic Republic of Iran, natural persons and legal entities economically active in such areas, are exempt from payment of direct income tax for a period of 15 years, from the date of operation as stated in their license.

What are the legal facilities for investment at free trade & industrial of Iran (Kish, Qeshm, Chahbahar, Jolfa, Anzali, Abadan & Khoramshahr)?

- o Unlimited foreign & domestic participation for investment as desired
 - o Simplified & suitable work procedures
 - o Full guarantee for foreign investment & accrued benefits
 - o Free movement of capital
 - o Minimal administrative formalities for the foreigners . Issuing visa for foreign nationals upon their arrival at the airport
 - o 15 years tax exemption for economic activities
 - o Customs duties and commercial charges exemptions for import of raw materials and machineries used in production of goods in the zone
 - o Sale and lease of land for domestic investors and lease of land for foreign in investors
 - o Favorable conditions for foreign and domestic banking operations
 - o Customs duties exemption for the import of goods into the country , made in the free zone based on the added value obtained
 - o Possibility of 100% foreign ownership
 - o Protection of registered trade marks and intellectual property rights
 - o Active management support
 - o Availability of qualified manpower
- Other Advantages

Known as the Persian Gulf , the Island has a moderate climate for 8 months of year , sightseeing coastal scenery , recreational and water sports facilities are among a number of attractions, which made Kish an appropriate place for tourism expansion.

What is law-permitting registration of Branches or representative office in Iran?

Law Permitting Registration of Branches or Representative Offices of Foreign Companies

Official Gazette No. 15384, dated 17.12.1997 (26.9.1376)

Letter No. Gh- 1592, dated 25.11.1997 (4.9.1376)

Sole Article- The foreign companies which are being considered to be legal corporate bodies in their country of registration, in case of reciprocal treatment by the country governing the said companies, may register their branches or representative offices to carry out businesses determined by the Government of Islamic Republic of Iran within the framework of the prevailing laws and regulations.

Note: The executive regulations of this Law shall be drawn up by the Ministry of Economy and Finance through coordination with other authorities concerned and shall be presented to the Council of Ministers for approval.

The above Law, comprising a Sole Article and one Note was approved by the ICA in the open session of Wednesday November 12, 1997 and was confirmed by the Guardians Council on November 19, 1997.

The Executive By- Laws of the Law Authorizing Registration of Branches or Representative Offices of Foreign Companies in Iran

The Council of Ministers, in the course of a meeting held on March 31, 1999 (11.1.1378) pursuant to a proposal by the Ministry of Economy and Finance and in compliance with the Note appended to the Single Article of the Law ratified in 1997 authorizing registration of branches of representative offices of foreign companies (in Iran), approved the Executive By- laws of the said Law as follows:

Article 1: A foreign company which is known and admitted as a legal company in the country of registration shall be authorized to have its branch or representative office registered in Iran for the activities listed below, by observing the principle of reciprocal action and also with due regard to the requirements intended herein, as well as the other pertinent regulations:

1. After- sale services for goods and services supplied by the foreign company.
2. Executive works of the contracts signed between Iranian and foreign companies.

3. Review and preparation of grounds for investment by foreign company in Iran.
4. Cooperation with technical and engineering companies in Iran, for performance of works in a third country.
5. Promotion of Iranian non-oil exports.
6. Technical and engineering services and transfer of technology and technical know-how to Iran.
7. Activities legally licensed by Iranian government authorities which are duly authorized to issue such permits, in such areas as transportation, insurance, goods inspection, banking, marketing and the like.

Article 2: A branch office of a foreign company shall be the local office of the principle company, which directly functions and attends to business within the objectives and duties undertaken by the principle company. Therefore, and business activity by such branch office shall be in the name and under the responsibility of the principle office of the company.

Article 3: A foreign company wishing to have registered its branch office in Iran shall provide the Registrar of Companies and Industrial Ownership, with the following information and documents, to be submitted along with a written application:

1. Company's article of association, notice of incorporation, and the last change(s) registered with competent authorities.
2. The last confirmed fiscal report of the company.
3. A feasibility report containing information on the company's activities, by mentioning the reason(s) for registering the branch office in Iran, nature and scope of its activities and area of activities, as well as the number of Iranian and foreign manpower needed for such activities and the intended source of Rial and foreign currency supply.

Article 4: The representative of a foreign company shall be a natural person or legal entity who, by signing a contract, undertakes the performance in Iran of a certain part of the duties of the head office.

Article 5: Iranian natural persons and juridical entities applying for registration of agent office of a foreign company in Iran shall submit, along with a written application, a Persian translation of the original copies of the following documents. to Register of Companies and Industrial Ownership:

- 1- Attested Photostat of the contract to in Article 4 above.
- 2- Identity papers of the applicant; for natural persons, a Photostat of their birth certificate together with their legal address, and for juridical entities, the company's articles of association and the last change(s) made in the company registered with the competent authorities.
- 3- A profile of the Applicant's previous business activities, relative to the area(s) of activities intended for the contract signed for registering the representative office in Iran.
- 4- The articles of association of the foreign company, notice of establishment and the last change(s) made in the company registered with the competent authorities.

- 5- A report on the foreign company's activities, by mentioning the reason (s) for establishing the branch office in Iran.
- 6- The last confirmed fiscal report of the foreign company, which intends to open its agent office in Iran.
- 7- A letter of introduction from the ministry concerned.

Article 6: Those whose license of activity shall be revoked by the competent authorities shall take the necessary actions through Registrar of Companies & Industrial Ownership, for winding up their branch or representative office, within the period specified for the same purpose.

Note: The companies whose license of activity shall not be extended will be given a period of 6 months to wind up the registered company and proceed with liquidation.

Article 7: The branch office of a foreign company registered and working in Iran shall submit every year to the authorities concerned, a report on their principle company, including their annual fiscal report audities by independent auditors in the country of origin.

Article 8: Natural persons and juridical entities falling under the requirements hereof shall be required to submit a report on their branch office activities in Iran together with audited account statements, within four (4) months starting the end of each fiscal year. As long as the Executive Regulations of Note (4) to the Single Article of the Law approved in 1992, for using the services of specialized and professional accountants known as "Official Accountants" are not ratified, the intended auditing may be handled by accounting organizations and auditing firms whose partners being natural persons are acceptable to the supervisory office of the State Auditn Organization.

Article 9: The branch or representative office of a foreign company registered in Iran pursuant to the regulations set forth herein be operated by one or more natural persons residing in Iran.

Article 10: To enable foreign companies to fully enjoy the benefits and advantages foreseen by this present Regulation and to perpetuate their activities in Iran, foreign companies already operational in Iran prior to the date of entry into force of this Decree, shall be are required to provide the authorities concerned with documents and information required pursuant to Articles 3 and 5 above, and also take the necessary steps for adjusting their statues to the requirements set forth by this regulation.

Which document need to registered branch in Iran?

The applicants of establishment of a branch in Iran need to submit the following documents to the Company's Registrar in Iran:

1. A written application by the company;
2. Notarized certified copies of the company's Articles of Association, certificate of incorporation, and latest changes thereto advise to the competent authorities.
3. A report containing:
 - a) Information pertaining to the activities of the company.
 - b) Justification and the need for the establishment of a branch in Iran;
 - c) Nature and scope of the authorities given to the branch and the object of the branch;
 - d) An estimate of human resources required, segregated between Iranian and expatriate employees;
 - e) The manner by which the local requirements of the branch (foreign currency and Rials) are funded.
4. A letter from a government agency in the event that the company has concluded a contract with that agency;
5. Registration declaration for the branch. This will be completed by us and forwarded to you for execution;
6. A letter of authority authorizing the branch manager to act on behalf of the foreign company;
7. A letter of commitment executed by the local representative undertaking to proceed to liquidate the branch in the event the activities of the branch are terminated by the Iranian competent authorities;
8. Notarized certified lost audit report & financial statements

Kindly note that any of the documents set out above which are prepared outside Iran must be certified by the competent authorities and confirmed by the foreign ministry and notarized by the Iranian Consulate in that Country. The above documents must be translated into Farsi and the

English originals as well as the translated versions must be submitted to the Company's Registrar.

Which companies should be audited in Iran?

According to the Law on the Use of Iranian Association of Certified Public Accountants (IACPA) ratified on 11.01.1994 and the Amendment made by the Islamic Consultative Assembly in the said Law on 16.02.1994 as well as Article 2 of the Executive Regulation of Note 4 of the above Law ratified in the form of a decree by the Council of Ministers on 03.09.2000, the following taxpayers are under the obligation to appoint the statutory "Inspectors" of their companies from among the auditing firms being members of the IACPA. Appointment may be made from among natural persons accepted as official accountants by IACPA by taxpayers mentioned in Sub-clause "f" below, only:

- a. Companies accepted by or applying for acceptance by the Stock and Negotiable Instruments Exchange as well as the companies affiliated to the said companies.
 - a. Public joint stock companies as well as their subsidiary and affiliate companies.
 - b. The companies described in Sub-clauses (a) and (b) of Article (7) of the Audit Organization in due compliance with the procedure set forth in Note (1) of Article 132 of the Iranian Certified Public Accounts Law.
 - c. Branches and representative offices of foreign companies which are registered in Iran pursuant to the permission granted under the Law Authorizing Registration of Branches and Representative Offices of Foreign Companies, ratified 1997 (Liaison offices excluded).
 - d. Non-government public entities, foundations, companies, and organizations and the entities affiliated thereto.
 - e. Other natural persons and legal entities whose aggregate turn-over (sale of commodities or services and aggregate income in respect of contractors made and signed by them) shall not exceed eight billion Rials or whose total assets shall not exceed sixteen billion Rials.

According to Article (2) of the above Executive Regulation, the financial statements of the persons and entities mentioned in the above sub-clauses being devoid of a confirmatory audit report by firms of auditors being members of IACPA or official accountants acceptable to IACPA may not be acceptable to the ministries, government organizations and companies, banks and insurance companies, non bank credit institutes, the Organization of Stock and Negotiable Instruments Exchange and non government public foundations and institutes. No such statements may be used as evidence in favour of the said persons and entities.

According to Article (272) of the Direct Taxation Act as Amended on 16.02.2002 by the Islamic Consultative Assembly, those who are in charge of accounting works or carry out the duties of statutory inspectors of the taxpayers mentioned in the above sub-clauses shall be under the obligation to submit an audit report on the activities of the said taxpayers and submit same to the taxpayer for submission to the Tax Department concerned in case of a request by the taxpayers in this regard. In such case, the Tax Department concerned shall be bound to accept the said audit report without examination and issue a tax assessment sheet based on the said report.

Acceptance of the audit report by the Tax Department concerned shall be subject to submission of a tax audit report drawn up by the same auditor who prepared the above audit report on the basis of auditing norms and standards together with tax return or within a maximum period of three (3) months after the date of expiry of the respite provided for submission of returns to the Tax Department concerned

How is calculated the SSO contracts

According to Article (38) of Social Security Act in cases where execution of a work is assigned to natural persons or legal entities by contract, the employer must, in the contract which he enters into with the contractor, obligate the contractor to insure his own employees as well as the employees of the sub-contractors with the SSO and to pay the total premium in the manner provided for by Article 28 of this Act.

Payment of 5 per cent of the total work value to the contractor concerned by the employer shall be contingent upon presentation of clearance certificate issued by the SSO. In case of contractors who, within the

prescribed time, submit the payroll sheets of their employees and pay their insurance premium to the SSO, an amount equivalent to the premium paid shall be released, on the request of the SSO, from the said amount.

Where an employer pays the last installment due to the contractor without demanding from the contractor a clearance certificate issued by the SSO, the employer shall be held liable for paying the prescribed premium and the applicable compensation for losses. However, the employer may demand and collect the sums paid in this respect to the SSO from the contractor.

All ministries, government organizations and companies as well as municipalities, chambers of guilds, non-government organizations and charitable and public utility organizations shall be covered by the provisions of this Article.

The Note annexed to Article 38 of the Social Security Act at a session held on 16 May, 1993 of the Islamic Consultative Assembly:

All employers being subject of Article 38 of the Social Security Act as well as Article (29) of the defunct Social Insurance Act shall be under the obligation to report to SSO the names and particulars of all their contractors and consultants who, after one year from the date of completion of their work or any termination, suspension or cancellation of their contract have not yet proceeded to pay the insurance premium due on their contract and obtain SSO clearance certificate and the employers shall likewise pay to SSO the amount of 5% of the total contract value and the last installment due to contractors which have been deducted from the amounts payable to the said contractors and consultants pending submission of SSO clearance certificate. The amount of the insurance premium shall be notified by SSO after finalization in accordance with the Social Security Act and on the basis of a judgment to be issued by the appellate board set forth under Article 44 of this Act. The respite provided for clients to pay the requested sum shall be a maximum of 25 days.

Executive Regulation Pertaining to the Note to Article 38 of the Social Security Act-Ratified in 1975

Article 1- All natural persons and legal entities subject of Article 38 of the Social Security Act and Article 29 of the Social Insurance Act must pay all social security organization's (referred to as SSO hereinafter) claims from contractors/consulting engineers in accordance with the provisions of the single Article Law for annexation of one note to Article 38 of the Social Security Act ratified on May 16, 1993, out of the 5% withholdings from the total payments made to contractors concerned plus the withheld sum of the contractor's final statement should the SSO request them.

Article 2- All employers subject hereof must submit the full list of contracts described in Article one above (whose date of finishing, suspension or revocation of contract has passed one year) by clarifying the number and date of contract, particulars of the contractor/consulting engineer to the SSO and cooperate with the SSO by declaring the total contract's value (both foreign and I.R. Rails portions), the total amount of withholdings kept by the employer which includes the 5% deducted from each payment made to the contractor plus the withholding of the contractor's final statement/installment subject of Article (38) of the Social Security Act and Article (29) of the Social Insurance Act and all other withholdings made until the date of completion, suspension or revocation of contract, the place of execution of the works being subject of the contract and furnishing a brief summary regarding the subject of contract, how the materials consumed for the contract was procured (undertaken by the employer, the contractor or by both) and the last known legal address of the contractor/consulting engineer. For contracts which end after the date hereof or are suspended or revoked, if account settlement certificates are not presented by the contractor (to employers) within one year from the finishing/suspension/revocation date of the contract the employers are required to inform the SSO regarding the issue within one month.

Article 3- The SSO shall be required to act expressly in one of the following manners regarding contracts subject of Article 1 above:

- a. For contracts whose insurance premiums have been finalized in accordance with the law and based on verdicts issued by the examining board mentioned in Article 44 of the Social Security Act, the contractors/consulting engineers must be informed of the outstanding insurance premium (debt) by serving official notifications on them and if they fail to pay the required amount to the SSO within a maximum of 20 days from the date of notification, the SSO will then be allowed to inform the employer of the case in writing and claim the debt from the employer concerned.
- b. For contracts whose collectable insurance premium has not been finalized, the provisions of clause A above must be complied with, only after finalization of the matter.

Article 4- The employers are required to pay all the finalized debts the amount of which shall be declared to them by the SSO subject of Article 3 hereof pertaining to their contractors/consulting engineers within a maximum of 25 days from the date the respective notification will be served on them out of the 5% withholdings and the outstanding last statement/installment, subject of Articles 38 of the Social Security Act and Article 29 of the Social Insurance Act solely by paying the requested sum into the account of the SSO.

Article 5- The SSO shall be authorized to refer to employers and review the contract documents in order to obtain information regarding contracts, and the employers are required to cooperate with the SSO regarding putting the documents required at the SSO disposal.

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**Annexation of one note to Article 38 of the Social Security Act
Ratified in 1975**

Date: June 11, 1993

Ref. No.:

Sole Article- The following note will be annexed to Article 38 of the Social Security Act ratified in July 1975.

Note- All employers subject of the provisions of this Article and the provisions of Article 29 of the Social Insurance Act must pay the claims of Social Security Organization from contractors/consulting engineers which a minimum of one year has lapsed since the date of the completion, suspension and/or revocation and in the mean time they have failed to refer either for payment of their SSO insurance premium pertaining to their employees employed for the contract or for presentation of account settlement certificate issued by the Social Security Organization out of the 5% withholdings and non payment of the contractor's final statement. The employers are also required to declare the full particulars of any such contractors/consulting engineers to the SSO.

The exact amount of insurance premium will be advised by the Social Security Organization after finalization, in accordance with the law and based on the verdict issued by the examining board subject of Article 44 of the Social Security Act and notification served on the contractor for payment of outstanding debt within 20 days from the date of notification.

The procedure for implementing the above Note will be in accordance with instructions to be drawn up by the Social Security Organization which shall be subsequently ratified/approved by the cabinet.

The above law, including one single article and one note was approved in the public session of the Islamic parliament held on Sunday May 16th 1993 and subsequently ratified by the Guardian Council on May 19th 1993.

DAYARAYAN
Auditing & Financial Services

B-How is SSO to Buy and Sale Contracts

Contracts related to buying and selling commodities, materials and equipment whereby there will be no need to perform any work and the contract is solely limited to buying or selling, shall not be subject to deduction of insurance premium and issuance of a clearance certificate without collecting the premium shall be permissible. Also, in respect of contracts on hiring various types of machinery and automobiles, if the vehicles applicable.

How calculated contracts with new regulation of SSO office?

In accordance with the Decrees made on 13 April, 1991 and 28 Nov., 1994 (addenda No. 4 and 5) by the Social Security High Council, some similar wage coefficients have been determined in respect of both development projects and non-development projects. Such ruling has much facilitated the collection of premium and issuance of clearance certificate. On the basis of a decree passed on 13 April, 1991, the insurance premiums payable for contract works and consulting engineers agreements, as regards the obligations undertaken by the parties and the manner of executing the work, shall be calculated in the following manner after the above date:

The insurance Premium of those contracts for the execution of which, the contractor concerned undertakes to supply and purchase at his own expense, the whole required materials or the required computers and business machines in respect of which the works are required to be carried out by machines, shall be 7% of the total gross turnover (subject of Article 2 of the Decree dated 13 April, 1991)

$(7\% \times \text{total gross turnover} = \text{insurance premium}) +$
 $(\text{one ninth } (1/9) \times \text{original premium} = \text{unemployment insurance})$

The insurance premium in respect of manual works and service agreements which require to be carried out by hiring personnel shall be 15 per cent of total gross turnover.

$(15\% \text{ total gross value of work} = \text{insurance premium}) +$
 $(\text{one ninth } \times \text{original premium} = \text{unemployment insurance})$

In cases where supply of a part of materials is undertaken by and purchased by the contractor at his own expense and a part of which is undertaken by the client who assigned the works, the value of materials put at the disposal of the contractor shall be added to the total gross turnover and then the premium is calculated in accordance with Clause 3-1.

Price of equipment imported from outside the country and purchased by the contractors through opening letters of credit, are not subject to deduction of premium. Also, price of exclusive and special materials, elevators and installations, machinery and steel in steel structure works contracts the provision of which are the responsibility of clients, fabrics in contracts of sewing, asphalt in contracts of road making and asphalt works, moquette, floor covering and cabinets in cases where they are supplied by the employer and delivered to the contractor free of charge, shall not be deemed as assigning materials and their prices shall not be added to the total turnover.

In cases where the subject of contract is offering services and the type of work requires that a part of work shall be carried out mechanically (with mechanical tools and machinery belonging to the contractor) and a part be carried out manually, the premium of the part (per cent) done mechanically shall be computed on the basis of 7% and the percentage of the works done manually on the basis of 15%.

Note: Should the mechanical tools and equipment be supplied by the client and given to the contractor without receiving any fee, with regard to the fact that work is done on wage basis, the pertinent premium shall be computed in accordance with Article 1 of the Decree dated 13 April, 1991 i.e. on the basis of 15%.

Auditing & Financial Services

According to Note 6 of the Decree dated 13 April, 1991, the insurance premiums payable by the contractors and consultant engineers who are parties to the contracts entered into with Housing Foundation of Islamic Revolution, shall be 1% less than the amounts mentioned in Articles 1 and 2 of the said Decree i.e. 14% and 6% shall be considered as the insurance premium plus 1/9 of it as unemployment premium.

In cases where the supply, design and purchase of equipment will be carried out outside Iran and paid for by letters of credit and only the assembly works will be rendered in Iran, if the project operations include assembly works and construction works and other relevant operations under the condition that all required materials shall be procured by the contractor, the insurance premium shall be calculated on the basis of 7% of the turnover for works inside Iran, and if the project operations are limited only to installation of equipment, with a view to the manner of executing the work (mechanical or non-mechanical and/or both mechanical and manually), the relevant premium shall be computed, as the case may be, according to Articles 1 and 2 of the Decree dated 13 April, 1991 as mentioned above.

In cases where the main contractor assigns, through a contract, a part of project operations to sub-contractors, the insurance premium of the sub-contractors shall also be computed and collected with respect to the parties' obligations set forth under the contract according to the regulations. At the time of computing the premium of main contractor, an amount equivalent to the total turnover of sub-contractor shall be deducted from the total turnover of main contractor.



Iranian Labor Law and Employment of Foreign Citizens

Employment of foreign nationals in Iran is only possible within the framework of the provisions stipulated in the Labour Law of the Islamic Republic of Iran. The general policy of the country is aimed at meeting its Labour requirements and implementing its industrial and development projects through Iranian manpower as much as possible. However, employment of foreign manpower when there is an immediate need for their expertise is not ruled out.

According to Article 120 of the Labour Law, approved on November 20, 1990, foreign nationals are not allowed to work in Iran unless they are provided with an entry visa with the right to engage in specific work, and secondly, they receive work permit according to relevant laws and by-laws. Obviously, foreign nationals who are exclusively on diplomatic and consular missions, as well as the staff and experts of the United Nations and its affiliated organizations, correspondents of foreign news agencies and press, are exempted from such regulations on the condition of reciprocity.

Ministry of Labour and Social Affairs shall approve the issue of a visa for a specific type of occupation for foreign nationals and work permit for them while taking certain conditions into consideration:

Work permits would be issued, extended or renewed for a period of one year.

When the interests of the industries of the country necessitate the immediate employment of a foreign national, the minister of the relevant ministry may report the case to the Minister of Labour and Social Affairs and upon the approval of the latter, a temporary work permit shall be issued for the foreign national without observing the relevant formalities for the issuance of a visa with right to engage in specific work. The temporary work permit would be valid for a maximum period of three months and its extension would be subject to the approval of the technical board in charge of the occupation of foreign nationals.

Prior to the conclusion of any contract through which foreign experts would be employed, employers are bound to inquire about the views of the Ministry of Labour and Social Affairs on the possibility for the said foreign nationals.

The Ministry of Labour and Social Affairs is authorized to take measures for the nullification of the work permit for those foreign nationals who do not observe Islamic principles, current laws and regulations of the country and humanitarian relations, as declared by the competent authorities.

Employers who hire foreign nationals whose work permits have been

expired or have no work permit, or employ them in jobs other than those stipulated in their work permits, or do not notify the Ministry of Labour and Social Affairs about cases where the employment agreement between them and foreign nationals is terminated, shall be sentenced to prison terms ranging from 91 to 180 days. The court usually changes the jail punishment into cash penalty.

Some important related articles of the Iranian Labor Law

Article 120: Foreign citizens shall not be employed to work in Iran unless they have an entry visa entitling them to specified work and have obtained a work permit in accordance with the relevant statutory regulations.

Note: The following foreign citizens are not subject to the provisions of Article 120:

- (a) Foreign citizens exclusively employed by diplomatic and consular missions, subject to confirmation by the Ministry of Foreign Affairs;
- (b) The personnel and experts of the United Nations and its specialized agencies, subject to confirmation by the Ministry of Foreign Affairs;
- (c) The correspondents of foreign news agencies and press, subject to reciprocity and by the confirmation of the Ministry of Culture and Islamic Guidance.

Article 121: In accordance with the conditions stipulated here below, the Ministry of Labor and Social Affairs agrees to issuing an entry visa for the foreign citizen entitling him/her to an specified work, and shall issue the work permit:

- (a) according to the information kept in the Ministry of Labor and Social Affairs, there are no qualified applicants with similar education and specialization among the work-seeking Iranian citizens.
- (b) the foreign citizen possesses sufficient knowledge and expertise for the job in question.
- (c) the expertise of the foreign citizen is further used to train Iranians with a view to the subsequent substitution of the foreign citizen by a trained Iranian.

Note: The Technical Board for Employment shall decide whether the conditions specified in this section are fulfilled. The rules governing the number of members of the Board, the conditions for their selection and the procedure for holding the sessions of the Board shall be drawn up by the Ministry of Labor and Social Affairs, and approved by the Council of Ministers.

Article 122: The Ministry of Labor and Social Affairs may issue, extend or renew the work permit of:

- (a) a foreign citizen who has continuously resided in Iran for at least ten years;
- (b) a foreign citizen married to an Iranian;
- (c) immigrants from foreign countries, particularly the Islamic ones, and political refugees, provided that they have a valid immigration or refugee card, and subject to the written agreement of the Ministry of the Interior and the Ministry of Foreign Affairs;

Article 123: The Ministry of Labor and Social Affairs may, if necessary and/or subject to reciprocity, exempt the citizens of certain countries and stateless persons (provided that their status is not optional and voluntary) from payment of the fee for a work permit or for the extension and renewal thereof, subject to confirmation by the Ministry of Foreign Affairs and approval by the council of ministers.

Article 124: In accordance with the provisions of this Code, a work permit shall be issued, extended or renewed for a maximum period of one year.

Article 125: Where, whatever the circumstances, an employment relationship between a foreign citizen and an employer is discontinued, the employer shall notify the Ministry of Labor and Social affairs thereof within 15 days. The foreign citizen shall within 15 days surrender his work permit to the said Ministry against a receipt. If necessary, the Ministry shall request the appropriate authorities to expel the foreign citizen from the country.

Article 126: Where it is considered contingent to recruit a foreign citizen urgently on an exceptional basis because of the needs of the industry of the country, the minister concerned shall notify the Ministry of Labor and Social Affairs accordingly and, subject to the approval of the Minister of Labor and Social Affairs, a provisional work permit shall be issued to the foreign citizen concerned, without compliance with the formalities normally required for the issuance of a visa entitling the bearer to specified work.

Note: A provisional work permit shall be valid for three months at the most, any extension thereof being subject to confirmation by the Technical Board for the Employment of Foreign Citizens.

Article 127: The conditions of employment of foreign technical experts and

specialists needed by the Government shall be drawn up with due regard to their nationalities, length of service, level of remuneration and the availability of domestic manpower. The said conditions shall be subject to ratification by the Islamic Consultative Assembly, following consideration and advice by the Ministry of Labor and Social Affairs and the State Organization for Administrative and Employment Affairs. In any case, a work permit for the employment of a foreign expert shall be issued by the Ministry of Labor and Social Affairs only with the approval of the Islamic Consultative Assembly.

Article 128: Prior to signing any contract likely to entail the employment of foreign experts, an employer shall inquire the opinion of the Ministry of Labor and Social Affairs about the possibility for authorizing the employment of foreign citizens.

Article 129: The regulations on the employment of foreign citizens, including procedures for issuing, extending, renewing and canceling work permits and conditions for the selection of the members of the Technical Board for the Employment of Foreign citizens, as referred to in Article 121 of this Code, shall be drawn up by the Minister of Labor and Social Affairs, and approved by the Council of Ministers.

Article 181: Any employer who employs a foreign citizen without a work permit, or whose work permit has expired, or who employs a foreign citizen for work other than that specified in his work permit, or who fails to report the discontinuation of the employment relationship of a foreign citizen to the Ministry of Labor and Social Affairs shall, with due regard to his situation and means and to the degree of the offense, be subject to a term of imprisonment ranging from 91 to 180 days.

The Executive Regulations of Article 129 of the Labor Law of the Islamic Republic of Iran

A: Manners of Issuance, Extension, Renewal and Cancellation of Foreign Citizens' Work Permits.

Article 1: The work permit of foreign citizens whose work visas have been approved by the Technical Board for Employment of Foreign Citizens mentioned in Article 121 of the Labor Law will be issued by the "Department for Employment of Expatriates" of the Ministry of Labor and Social Affairs.

Note 1: The issuance of work visa for foreign citizens mentioned in the Article 122 of the Islamic Republic of Iran's Labor Law is not included in this article and the Ministry of Labor and Social Affairs is authorized to take direct measures in necessary cases.

Note 2: The Ministry of Labor and Social Affairs is allowed to, in exceptional cases of article 126 of the Islamic republic of Iran's labor law, issue a 3 months temporary work permit without observing the formalities related to issuance of work visa but observing other related regulations. The extension of the work permit of such individuals would be permitted following the confirmation of the technical Board for Employment of Foreign Citizens.

Article 2: Employers who use the foreign citizen's services are obliged to present the required documents for the issuance of work permit for the mentioned citizens to the related departments of Ministry of Labor and Social Affairs within one month of the citizen's arrival to the country. Otherwise, the Ministry of Labor and Social Affairs would declare the issue to the judicial authorities according to the article 181 of the labor law.

Article 3: Work permit for foreign technical experts and specialists needed by the government will be issued in any case by the Department of Employment of Expatriates after the approval of the Technical Board for Employment of Foreign Citizens and the ratification of the Islamic Consultative Assembly.

Article 4: Employers who use the foreign citizens' services, if interested in extension of the foreign experts' work permit employed in their organizations, are obliged to send the required documents along with the report of training operations to the relevant departments of Ministry of Labor and Social Affairs within at least one month prior to expire of their work permits.

Article 5: The Ministry of Labor and Social Affairs can extend the work permit of those foreign citizens mentioned in the Article 3 of this regulation.

Note: Any increase in the projects of foreign manpower, or changes made in the kind of specializations approved previously, should be discussed again in the Technical Board for Employment of Foreign Citizens.

Article 6: All the work permit extension applications for foreign citizens employed in the private sector, in each turn of extension, would be mentioned and decided upon in the Technical Board for Employment of Foreign Nationals.

Article 7: Foreign citizens possessing valid work permits whose recruitment contracts with their employers are terminated due to any reason in conditions of change of the employer would be subjected to the renewal of the work permit.

Article 8: The foreign citizens' work permit in cases of change of the employer or the kind of employment, with the exception of foreign citizens mentioned in Article 122 of the Labor Law, would be renewed following the Technical Board for Employment of Foreign Nationals' agreement, by the relevant departments of the Ministry of Labor and Social Affairs.

Article 9: In cases when the employment relation of the foreign citizen is severed with the employer, the latter is obligated to inform the relevant departments of the Ministry of Labor and Social Affairs within 15 days for the cancellation and filing of foreign citizens' work permit. The violators of this article would be subjected to the fines and penalties mentioned in article 181 of Labor Law.

Note: The replacement of the foreign citizen whose work permit has been cancelled is subject to the process of issuance of a new work permit in any case.

Article 10: The Ministry of Labor and Social Affairs is authorized to cancel the work permit of those foreign citizens who do not observe the Islamic rules, the country's current laws and regulations, and the standard labor relations, on the basis of reports and declarations received from the related departments.

Note: The Ministry of Labor and Social Affairs can, in necessary cases, request the competent authorities to prohibit the entrance of those foreign citizens to the country, who haven't observed the points mentioned in this article and have offended more than twice.

Article 11: The executive procedures and necessary documents for issuance of work visa and also for the issuance, extension, and renewal of foreign citizens' work permits would be according to the directions which will be

proposed by the Department for Employment of Expatriates and ratified by the Minister of Labor and Social Affairs.

B: Technical Board for Employment of Foreign Nationals

Article 12: The Technical Board for Employment of Foreign Citizens would consider and decide with regards to the granting of work permit to foreign specialists according to the following points:

1. Using accurate and up to date information about the supply and demand of internal labor market, implementing the general policies of employment of foreign citizens.
2. Consideration and supervision of the implementation of general policies regarding foreign citizens' employment in the field of overcoming the shortages of the internal labor market's requirements, observing the laws and regulations.
3. Investigating, supervising and following the time scheduled training program of sectors, which use foreign citizens' services.
4. Investigation and supervision of the issue of skill transfer to the Iranian manpower and replacing the Iranians instead of the foreign citizens.
5. Supervision of the determination and approval of the expertise level of foreign citizens during their work permit validity.

Article 13: The composition of the members of Technical Board for Employment of Foreign Citizens is as follows:

1. Two representatives from the Ministry of Labor and Social Affairs, introduced by the Minister of Labor and Social Affairs,
2. A representative of the sector using the foreign citizens' services,
3. A representative of the State Organization for Administrative and Employment Affairs,
4. A representative of Plan and Budget Organization.

Article 14: The meetings of Technical Board for Employment of Foreign Citizens would be held twice a week according to previous invitation chaired by one of the representatives of the Ministry of Labor and Social Affairs, appointed by the Minister of Labor and Social Affairs.

Article 15: The meetings would be in session with the participation of at least four members and the decisions made would be valid in case of at least 3 positive votes.

Article 16: The department for employment of expatriates is obliged to

follow the decisions made by the technical board for employment of foreign citizens.

Article17: The Ministry of Labor and Social Affairs can, in necessary cases, establish Technical Boards for Employment in provinces, and entrust the whole or a part of authorities of the Central Board to them.

Note: The composition and manner of establishment of the Technical Board for Employment of Foreign Citizens in provinces would be according to the directions ratified and approved by the Ministry of Labor and Social Affairs.

Fees to Be Paid For Issue and Extension of Work Permits

In the year 13789 (21 March 1999 - 19 March 2000), the Ministry of Labor and Social Affairs is permitted to receive 500,000 Rials for issue and 300,000 Rials for extension of the work permit of foreign citizens. (Paragraph E of Note 7 of the National Budget of 1378).

Sums Receivable from the Salary of Foreign Employees

The Ministry of Labor and Social Affairs is permitted to receive 20% of the foreign employees' salary and allowances plus the equivalent of the unemployment insurance fee paid for the Iranian workers, from the employers in the relevant private sector.

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Some important Governmental Website

1- Ministry of finance & Economy	www.mefa.gov.ir
2- Ministry of industry & Mine	www.min.gov.ir
3- Ministry of commerce	www.iranministryofcommerce.com
4- Iran chamber of commerce & mine	www.iccim.org
5- Dutie Islamic republic	www.Irica.gov.ir
6- Point trade	www.irtp.com
7- Ministry of foreign affairs	www.mfa.gov.ir
8- Ministry of Oil	www.nioc.com
9- Organization of Managing & Planing	www.mpzog.ir

