

FOREIGN INVESTMENT PROMOTION AND PROTECTION ACT (FIPPA)

Chapter One: Definitions

Article (1)

The terms and expressions used in this Law shall have the following meanings:

Law: The Law for the Promotion and Protection of Foreign Investments.

Foreign Investor: Non-Iranian natural and/or juridical persons or Iranians using capital of foreign source, who have obtained the investment license referred to in Article (6).

Foreign Capital: All types of capital, being cash or non-cash, brought into the country by foreign investors and include the following:

- a) Cash funds in the form of convertible currency imported into the country through banking system or other methods of transfer, acceptable to the Central Bank of the Islamic Republic of Iran;
- b) Machinery and equipments;
- c) Tools and spares, CKD parts and raw, addable, and auxiliary materials;
- d) Patent rights, know-how, trade marks and names, and specialized services;
- e) Transferable dividends of foreign investors;
- f) Other permissible species approved by the Council of Ministers.

Foreign Investment: Application of foreign capital in a new or existing economic entity after obtaining the investment license.

Investment License: The license issued for every foreign investment in accordance with Article 6 of this Law.

Organization: The Organization for Investment, Economic and Technical Assistance of Iran, subject matter of Article (5) of the Law establishing the Ministry of Economic Affairs and Finance ratified on July 15, 1974.

High Council: The High Council for Investment, subject matter of Article (7) of the Charter of the Organization for Investment, Economic and Technical Assistance of Iran ratified on June 2, 1975.

Board: The Foreign Investment Board, subject matter of Article (6) of this Law.

Chapter Two:

General Criteria for Admission of Foreign Investments

Article (2)

Admission of foreign investment shall be made, in accordance with the provisions of this Law and with due observance of other prevailing laws and regulations of the country, subject to the following criteria:

- a. Help create economic growth, upgrade technology, enhance ,development of the quality of products, increase employment opportunities, exports, and penetrate into international markets;
- b. Does not threaten the national security and public benefits, and deteriorate the environment; does not distort the country's economy and impose unfair implication on products based on local investments;
- c. Does not involve granting of concessions by the Government to foreign investors. The word concession as used herein means special rights which place the foreign investors in a monopolistic position.
- d. The ratio of the value of the goods and services produced by the foreign investments, subject matter of this Law, to the value ,t of the goods and services supplied to the local market at the time of issuance of the investment license, shall not exceed 25% in each economic sector and 35% in each field (sub- sector). The fields and investment ceilings in each field shall be determined in the by-law to be approved by the Council of Ministers.

Foreign investment for the production of goods and services specifically for export purposes other than oil, shall be exempted from the aforementioned ratios.

Note. The Law for the Ownership of Immovable Properties by Foreign Nationals ratified on June 6, 1921 shall remain enforceable. Ownership of land of any type and at any scale in the name of foreign investors is not permissible within the framework of this Law.

Article (3)

Foreign investments admitted in accordance with provisions of this Law shall enjoy the incentives and protections available under this Law.

Such investments may be admitted under the following two categories:

- a) Foreign direct investment in areas where the activity of private sector is permissible;
- b) Foreign investments in all sectors within the framework of "civil participation", "buy-back" and "build-operate-transfer" arrangements where the return of capital and profits accrued is solely emanated from the economic performance of the r project in which the investment is made, and such return of capital and profit shall not be dependent upon a guarantee by the Government, state-owned companies or banks.

Note1. So long as the foreign investment subject matter of "build-operate-transfer" arrangements referred to in Para (b) of this Article, and its incurred profits thereon are not amortized, the exercise of ownership right by the foreign investor over the unamortized capital in respect of the recipient economic entity is permissible.

Note 2. With respect to investments subject matter of Para (b) of this Article, if, as a result of promulgation of laws or Government resolutions, the execution of approved financial agreements within the framework of this Law is prohibited or : interrupted, the accrued losses, to a maximum of due installments shall be committed and paid by the Government. The scope of acceptable commitments shall be approved, within the framework of this Law, by the Council of Ministers.

Article (4)

The investment by a foreign government or foreign governments in the Islamic Republic of Iran shall have to be approved by the Islamic Consultative Assembly on a case by case basis. The investment by foreign state-owned companies is considered to be private.

Chapter Three: Competent Authorities

Article (5)

The Organization is the only official authority for the promotion of foreign investments in the country, and for Investigation of all Issues pertaining to foreign Investments. Applications of foreign investors in respect of issues such as admission, importation, employment and repatriation of capital shall have to be submitted to the Organization.

Article (6)

For the purpose of investigation and making decision on applications subject matter of Article (5), a Board under the name of the "Foreign Investment Board" shall be established under the chairmanship of the Vice Minister of Economic Affairs and Finance who is ex-officio the President of the Organization Vice Minister of Foreign Affairs, Deputy Head of the State Management and Planning Organization, Deputy Governor of the Central Bank of the Islamic Republic of Iran and vice ministers of relevant ministries, as the case requires.

In relation to applications for admission, the investment license shall, after the approval of the Board, be issued upon confirmation and signature by the Minister of Economic Affairs and Finance.

At the time of admission of foreign investments, the Board is required to observe the criteria referred to in Article (2) of this Law.

Note. The Organization, after preliminary appraisal, is required to take the investment applications, along with its own considerations, to the Board within a maximum period of 15 days as from the date of receipt of

the applications. The Board is under obligation to review the applications within a maximum period of one month from the date of submission, and announce its final decision in writing.

Article (7)

In order to facilitate and accelerate issues related to the admission and activity of foreign investments in the country, all relevant bodies including the Ministry of Economic Affairs and Finance, Ministry of Foreign Affairs, Ministry of Commerce, Ministry of Labor and Social Affairs, Central Bank of the Islamic Republic of Iran, Customs Administration of the Islamic Republic of Iran, Directorate General for Registration of Companies and Industrial Property, and the Organization for Environment Protection are required to introduce to the Organization a fully authorized representative whose designation is signed by the highest authority of the body. The representatives so introduced are recognized to act as medium and coordinator for all issues related to their respective body vis-à-vis the Organization.

Chapter Four: Guarantee and Transfer of Foreign Capital

Article (8)

Foreign investments under this law shall equally enjoy all, rights, protections, and facilities provided for domestic investments.

Article (9)

Foreign Investments shall not be subjected to expropriation or nationalization, unless for public purposes, in accordance with due of law, in a non-discriminatory manner, and upon payment of appropriate compensation on the basis of the real value of the investment immediately before the expropriation.

Note 1. Application for compensation shall have to be submitted to the Board within one year from the date of re-expropriation or nationalization.

Note 2. Disputes arising from expropriation or nationalization shall be settled by virtue of the provisions of Article (19) of this Law.

Article (10)

Ceding the whole or part of the foreign capital to domestic investor and/or, upon approval of the Board and confirmation of the Minister of Economic Affairs and Finance, to other foreign investor is permissible. In case of ceding to another foreign investor, the cedee shall, at least, have the same qualifications as the initial investor, and shall replace

and/or become a partner to the former investor from the standpoint of this Law.

Chapter Five: Provisions on Admission, Importation and Repatriation of Foreign Capital

Article (11)

Foreign capital may be imported into the country by way of one or a combination of the following manners to be protected by this Law:

- a) Sums of cash to be converted into Rials;
- b) Sums of cash not to be converted into Rials but to be used directly for purchases and orders related to foreign investment;
- c) Non-cash items after evaluation by the competent authorities.

Note. Arrangements related to the manner of evaluation, and registration of foreign capital shall be determined in the Implementing Regulations of this Law.

Article (12)

The rate of conversion of foreign exchange applicable at the time of importation or repatriation of foreign capital as well as the rate for all transfers, in case of applicability of a unified rate of exchange, shall be the same rate prevailing in the country's official network; otherwise, the applicable rate shall be the free-market rate as acknowledged by the Central Bank of the Islamic Republic of Iran.

Article (13)

The original foreign capital and the accrued profits, or the balance of capital remaining in the country subject to a three month prior notice, after fulfillment of all obligations and payment of legal deductions, and upon confirmation by the Minister of Economic Affairs and Finance, shall be transferable abroad.

Article (14)

Dividends of foreign investments after deduction of taxes, dues and statutory reserves, upon the approval of the Board, and confirmation by the Minister of Economic Affairs and Finance, shall be transferable abroad.

Article (15)

Payments related to the installments of the principal of the financial facilities of foreign investors and relevant expenses, agreements for patent rights, know-how, technical and engineering assistance, trade marks and names, management as well as similar agreements within the framework of the relevant foreign investment, upon the approval of

the Board and confirmation by the Minister of Economic Affairs and Finance, are transferable abroad.

Article (16)

Transfers referred to in Articles (13) , (14) and (15), shall be made subject to the provisions of Para (b) of Article (3) of this Law.

Article (17)

Foreign exchange required for the transfers referred to in Articles (14), (15) and (16) of this Law may be secured by way of the following methods:

- a) Purchase of foreign currency from the banking system;
- b) Out of the foreign exchange earnings from the export of the products and/or out of the foreign exchange earnings from service activities of the economic entity in which the foreign capital is employed;
- c) The export of permissible goods subject to the relevant laws and regulations.

Note1. Application of one or a combination of the above methods shall be specified in the investment license.

Note 2. The Central Bank of the Islamic Republic of Iran is under obligation, to make available to the foreign investor the equivalent foreign currency for the transferable sums referred to in Para (a), upon agreement of the Organization and confirmation by the Minister of Economic Affairs and Finance.

Note 3. In case the investment license expressly refers to Para (b) and/or (c) of this Article, this license is regarded as an export license.

Article (18)

Transfer abroad of the portion of the foreign capital imported into the country within the framework of the investment license but remains unused, is released from all foreign exchange, and export and import laws and regulations.

Chapter Six: Settlement of Disputes

Article (19)

Disputes arising between the Government and the foreign investors in respect of the mutual obligations within the framework of investments under this Law, if not settled through negotiations, shall be referred to domestic courts, unless another method for settlement of disputes have been agreed under the Law for Bilateral Investment Agreement with the respective Government of the foreign investor.

Chapter Seven: Final Provisions - Article (20)

The relevant executive bodies are required to take, measures, upon the request of the Organization, for the issuance of entry visa, residence permit, work and employment permit, as the case may be, for foreign investors, managers and experts working for the private sector involved in foreign investments under this Law, as well as their immediate relatives.

Note. Differences of opinions between the Organization and executive bodies. Will be settled upon the opinion of the Minister of Economic Affairs and Finance.

Article (21)

The Organization is required to provide for the public to have access to all information related to investments, foreign investors, investment opportunities, Iranian partners, fields of activity and other information available to the Organization.

Article (22)

All Ministries, state-owned companies and organizations as well as public institutes to whom the applicability of law is required to be stipulated by name, are under obligation to provide the Organization with reports on foreign investments implemented as well as information required for foreign investors so that the Organization can proceed in accordance with the above Article.

Article (23)

The Minister of Economic Affairs and Finance is required to provide, every six months, the relevant committees in Islamic Consultative Assembly with a report on the performance of the Organization with respect to foreign investments under this Law.

Article (24)

As from the date of ratification of this Law and its Implementing Regulations, the Law for the Attraction and Protection of Foreign Investments ratified on November 28, 1945 - as well as its Implementing Regulations are repealed. The provisions of this Law shall be repealed or altered by subsequent laws and regulations in the event that repeal or alteration of this Law would have been stipulated in those laws and regulations.

Article (25)

The Implementing Regulations of this Law shall be prepared by the Ministry of Economic Affairs and Finance and shall be subsequently approved by the Council of Ministers within two months.

The above Law comprised of 25 Articles and 11 Notes has been approved by the Islamic Consultative Assembly in its session.