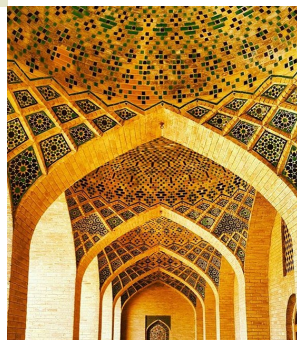




Contracts



## BUSINESS IN IRAN



Litigation



Labor Law



Company  
Registration

Arbitration



Tax



Sanctions



Newsletter | Issue 01 | July 2016

Phone: 0098-21-22920772

Fax: 0098-21-26424725

E-mail: [legal@persia-associates.com](mailto:legal@persia-associates.com)

Website: [www.persia-associates.com](http://www.persia-associates.com)

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Dear Reader,

It is a great pleasure to present the first edition of our newsletter.

Iran is opening up. After the lifting of the nuclear-related sanctions in January 2016, Iran has become a hot contender to take the title as a country with the most attractive business opportunities in the world.

After the Implementation Day business activities have increased significantly despite a still somewhat difficult economic and political situation in the country as the slowly fading consequences of the international embargo.

Due to the lifting of the embargo and a more business-oriented environment, the World Bank predicted a major growth rate for the Iranian economy of about 4.2 and 4.6 percent in 2016 and 2017, respectively.

Ever since the JCPOA has taken place in January 2016 lots of companies have come to Iran either to regenerate their previous standing, in the hope of finding suitable partners or even for opening a branch office or a local company to tap into this dynamic and young market of almost 80 Mio. Iranians.

For our firm it was obvious, that the growing demand for professional services, expertise and market experience would be very high. Unlike other companies, we therefore started out much earlier with reconstructing our standing in the Iranian market (more than 20 years back in August 2014) in anticipation of a final positive opening of our country.

This has proven to be the right move and we are therefore proud to offer unique professional, practical and business related legal and strategy advise in Iran.

Clients turn to Persia Associates because of its expertise in the Iranian business and the deep understanding of the Iranian market.

What sets the law practice of Persia Associates apart from other companies is that so far its lawyers could successfully handle every single phase of the business development within the country. On the basis of this broad experience, we are now able to provide legal advise on a high performance standard.

On behalf of the entire Persia Associates team, we hope this newsletter will be serve you well so that you can benefit from it.

In case of any business related question please, do not hesitate to contact me.

Sincerely

*Alireza Azimzadeh*

Dr. Alireza Azimzadeh, Managing Partner

# A Preview to Make You Curious!

In our monthly newsletter we would like to keep you updated about the legal framework when doing business in Iran.

We will hence provide information about frequently asked questions related to Iran in terms of:

- Litigation
- Company Registration
- Labor Law
- Tax and SSO
- Commercial Law
- Contracts (Franchise, Distribution, Agency, EPC etc.)
- The registration bodies for international contracts in Iran and its obligation
- Arbitration in Iran and the respective bodies
- The list of the international conventions Iran has adhered to so far and is going to adhere
- Investment Law and the practice of FIPPA

Each issue of our newsletter will focus on one of these topics and provide profound information about the context of its history and development. At the same time it will also take a look at other interesting subjects on a more general base.

Moreover, we will scrutinize Iran's latest legal and economical developments and its international relationships as well as point out new regulations and laws which are of special interest for international entities.

According to our own experience only few people within the country hold a conveyable knowledge about Iran's legal system. We therefore want to start this newsletter with a general introduction to Iran, its constitution, and commercial and tax law. We will hereby try to fill the above mentioned information gap which in return is very crucial to businesses helping them with their strategic decision whether or not to enter the market.

Shortcuts — an Introduction to:

- Constitution of Iran
- Commercial Law of Iran
- Tax Law of Iran

# The Constitution of Iran

The constitution of the Islamic Republic of Iran after the Islamic Revolution in 1979 portrays the structure of the country as a parliamentary democracy with theocratic elements that dictates the principle of supreme leadership as a supervisory body to all organs of the country. The Islamic Republic of Iran was the brainchild of Imam Khomeini and replaced the traditional monarchy of the Pahlavi dynasty on 11th February 1979. After a referendum it got officially approved on 1st April 1979.

The Constitution consists of 177 articles portraying e.g the form of Government, foundational and Islamic principles, state goals, the office of the religious leader, the official language, script, Persian calendar, the flag of the country, peoples' rights, the economy and financial Affairs as well as the right of national sovereignty, legislative powers, councils, leadership councils or the Leader himself, executive power, foreign policy, the Judiciary, radio & television, the Supreme Council for national security just as well as the revision of the Constitution.

Amongst all of these articles, Article 44 about the mandating ownership rights is of great significance to foreign investors and will therefore be highlighted in the following text:

Article 44: The economy of the Islamic Republic of Iran is to consist of three sectors, namely state-run, cooperative, and private. It is to be based on systematic and sound planning. The state-run sector has to include all large-scale and mother industries, foreign trade, major minerals, banking, insurance, power generation, dams and large-scale irrigation networks, radio and television, post, telegraph and telephone services, aviation,

shipping, roads, railroads and the like. All of these categories will be publicly owned and administered by the State.

The cooperative sector is comprised of cooperative companies and enterprises concerning production and distribution in urban and rural areas, in accordance with the Islamic criteria.

The private sector consists of activities which relate to agriculture, animal husbandry, the industry, trade and any sort of service that supplements the economic activities of the state and the cooperative sectors.

Ownership in each of these three sectors is in so far protected by the law of the Islamic Republic as that it has to conform with the other articles of the chapter referred to and can hence not go beyond the boundaries of the Islamic law. This, in return, contributes to the economic growth and progress of the country and does not harm its society. The precise scope of each of these sectors, as well as the regulations and conditions governing their operation, are specified by law.



# Commercial Law of Iran

Iran's Commercial Code is one of the most important pieces of legislation governing commercial activities in Iran and hence the basis of commercial law in the country. The Code was ratified on 3rd May 1932 by the parliament of Iran (then called Majlis Shor-aye Melli, see picture on the right) comprising of 600 articles. The Code was prepared and translated on the basis of the commercial law of France in 1807, also known as Napoleonic Code.

Apart from the section on Joint Stock Companies (Farsi: "Sherkat Sahami"), which is now regulated by the amendment made in 1968) and some other regulations regarding brokerage and insolvency, the remainder is still in force as determined originally.

The Commercial Code with its further amendments governs the general principles of trade, business offices, commercial documents, cheques, brokerage, commissioning and contract work, transport, business representatives, guarantees, insolvency, trade-marks and legal entities.

In 1968, the regulations on Joint Stock Companies were amended and came into force containing 300 new articles governing both Private Joint Stock Companies (Farsi: "Sherkat Sahami Khass") and Public Joint Stock Companies (Farsi: "Sherkat Sahami Aam").

Iran's new legislation parts of the commercial law of Iran was finally drafted on 27th December 2011 by the parliament (Majlis)

and got later approved to be implemented for a limited period of five years as a test drive on 11th April 2012. However, in practice this proposed act still has not become effective yet and commercial activities of the country are mainly governed by the Commercial Code of 1932 alongside with its amendment of 1968.

The draft contains 1261 articles with an added chapter, amongst others, on international bankruptcies, access to domestic courts for non-Iranian entities as well as the procedure for enforcement of international court orders. It includes some e-commerce related articles as well.

The general principles and a more comprehensive explanation of these regulations shall be discussed in more detail in the next few issues of our newsletter.



First Majlis of Iran 1906



# Tax Law of Iran

Historically, Iran or as previously known “Persia”, is amongst the oldest countries where tax collection has been practiced.

Iran’s tax history can be dated back to as far as 5000 years. Tax collection was first drafted during the Achaemenian dynasty of Darius the Great and has been in place ever since then. This tradition has been governed by different instruments over the years and finally after the Persian Constitutional Revolution of 1906, the parliament regulated the tax system of Iran. From 1927 to 1953, a vast number of fundamental changes happened within the tax law of Iran, but it was not until 1966 that the major transformation of the tax system occurred by way of implementing the Direct Taxation Act. Since then, especially after the Islamic Revolution of 1979, and recently due to the achievement of a more stable economic, financial and political situation, the taxation system has been subject to various reforms and changes. The Direct Taxation Act of 1966 was reviewed and amended extensively by the Majlis after the Islamic Revolution in 1988 and came into force in 1989. However, the said Act along with its amendments were far from being complete, despite various later amendments and frequent attempts to reform the taxation system through other instruments such as relevant articles in the Annual Budget Acts and the first, second and third Economic Development Plans. In 1999, following the third Five-Year Development Plan in light of the reformist approach of the government and article 59 of the plan, the Iranian National Tax Administration was established under the control of the Minister of Economic Affairs and Finance. Eventually, in 2002, this evolutionary trend

of the taxation system led to a revolution in the system itself through implementing a brand new piece of legislation of the Direct Taxation Act. In accordance with Article 123 of the Constitution of Islamic Republic of Iran, the Amendment to the Direct Taxation Act, an emergency bill amending the Direct Taxation Act of 1988, was approved by the Majlis on 22 July 2015 and came into force on 20 March 2016 (Persian New Year and beginning of Iranian fiscal year). This Act comprises of the following four general categories: Taxable persons, property taxes, income tax and miscellaneous provisions. Various major and significant adjustments can be seen in this act, including the omission of Article 104 and its respective notes and instead annexing it to note 7 of article 105 in view of Paragraph (25) of the Single Article Amending Direct Taxes Act approved on 22 July 2015

You will find further elaboration about this act in the next few issues of our newsletter.





# Legal and Economic Development News

## New Credit Lines

German and Austrian banks have opened \$1 — 10 million in credit lines for Iranian business, said Asadollah Asgaroladi, a board member of the Iran Chamber of Commerce, Industries, Mining and Agriculture. He added that South Korean banks would also start opening credit lines for Iranians, banker.ir reported. "We have asked the Chinese to expand banking relations. They agreed but the Central Bank of Iran is supposed to finalize the issue," he said.

Source: Financial Tribune

## Iran Inflation Rate Forecast 2016-2020

It is estimated that Inflation Rate in Iran will stand at 7.3 percent in 12 months' time. In the long-term, the Iranian Inflation Rate is projected to trend around 5.5 percent in 2020.

Source: [www.tradingeconomics.com/](http://www.tradingeconomics.com/)

## Rouhani Signs Banking Reform Plan Into Law

President Hassan Rouhani announced on Wednesday that he signed the much-anticipated Banking Overhaul Plan into law which is seen as a milestone in initiating reforms in the beleaguered banking sector. These reforms will be followed by the government sending a separate bill to the Parliament which would further enhance the banking sector reported on the official website of the president.

The economy is in dire need of refinancing. However, years of international economic sanctions imposed on Tehran's nuclear program, combined with the populist policies of the past government, have harmed the banking sector. Most banks say that they are unable to lend money to companies which are in need of a credit. Iran's lenders have long operated with low capital adequacy requirements and inadequate regulatory and supervisory mechanisms. With the country keen on foreign investment and joint ventures, it is now ready to resuscitate the banking industry and help revive economic growth.

The Banking Overhaul Plan, which so far has been in the making for a year now, seeks to tackle the most pressing issues facing banks which suffer. Among other things, it seeks to get the funding for short and medium-term projects back on track, provide a cash cushion to tackle bad loans, promote competition, reorder the money market by regulating the army of uncertified credit and financial institutions, and increase the banks' lending power by raising their capital.

## Central Bank PUTS CPI Growth at 9.7%

Compared to last year's corresponding period, the goods and services Consumer Price Index for urban areas in the 12 months ending on June 20, which marks the end of the Iranian month of Khordad, increased 9.7 percent according to the latest report released by the Central Bank of Iran.

The CBI put the inflation rate for the preceding month of Ordibehesht, which ended May 20, at 10.4 percent.

The overall CPI (using 2011 as the base year) stood at 24.9 percent in Khordad, indicating a 1.2% rise compared to the previous month.

The index registered a year-on-year increase of 6.8 percent compared to the same months of last year.

Earlier, the Statistical Centre of Iran rated the inflation for Khordad at 9.5 percent.

This is the first time in about 25 years that the inflation is below 10 percent. Reducing the inflation rate has topped the agenda of President Hassan Rouhani's government whose efforts are clearly paying off now. The president now has a second feather to sport on his hat—the first was the historic deal over Tehran's nuclear programme finally reached with the world powers.

Source: Financial Tribune

## Economic Currency Forecast

Forecast	Actual	Q2/16	Q3/16	Q4/16	Q1/17	2020
Currency	30680	30784	31089	31393	31698	36575

Iranian Rial Forecasts are projected using an autoregressive integrated moving average (ARIMA) model calibrated using our analysts expectations. We model the past behaviour of Iranian Rial using vast amounts of historical data and adjust the coefficients of the econometric model by taking into account our analysts assessments and future expectations. The forecast for Iranian Rial was last predicted on Tuesday, June 28, 2016.

Source: <http://www.tradingeconomics.com/>

## Revised Regulations for Car Importers

The Ministry of Industries, Mining and Trade has recently issued revised regulations for car importers that have obtained the official representations of foreign car brands via intermediaries. One of the basic rules for car imports is that if a company intends to set up an official representation in Iran it must do so via the mother company, according to Yadollah Sadeqi, the head of the guilds center affiliated to the ministry. The ministry has revised regulations for car imports in collaboration with the Organization for the Protection of Consumer and Producers and Iran's Chamber of Guilds, as Mehr News Agency reported. Auto firms with representations from mother companies have been given a six-month deadline to enter into negotiations with the foreign companies they collaborate with once they have officially registered their representations. If the auto firms fail to obtain official representations from the mother companies before the deadline ends, they will no longer be permitted to import cars. The regulations require the mother company to mention the Iranian firms on their website as their official representatives.

Source: Financial Tribune

## Official: Iran Air's Standards Complying with EU Regulations

TEHRAN (FNA)- A senior Iran Air official reiterated that Iran's national flag airline carrier is currently facing no restrictions with regard to its flights to Europe as it meets EU's aviation standards. "There are no inconsistencies in Iran Air's standards with EU's," Shahrokh Noushabadi told FNA on Sunday. Noushabadi said that following a visit by experts of the European Commission, including representatives of European Aviation Safety Agency (EASA) and their assessment of safety procedures of different parts of Iran Air, like engineering and repairs, operation and airport services they removed the ban on Iran Air's flights to the European Union. Earlier this month, Iran Air announced that it is discussing what is seen as a "historic aircraft purchase deal" with global aviation giant Boeing. "Serious talks with Boeing are underway, hoping that these would lead to an agreement sometime soon," Reuters quoted Iran Air CEO Farhad Parvaresh saying "He said that the meetings are currently underway with Boeing", adding, "We hope that in the future we can reach an understanding with each other." "The number and type of aircraft have to be discussed in the future, but the first step is to have a mutual understanding," Iran Air chief said. Parvaresh reiterated that the volume of the purchase deal with Boeing could be as big as the one that Iran Air sealed with Airbus earlier this year. "No, not bigger than Airbus; maybe close, but this also depends on the situation," he underlined. He said that Iran will need at least 300 aircraft for the next decade. "Iran has a fleet of 250 aircraft, of which 90 are grounded due to the economy or missing parts," Parvaresh said. Iran signed a major deal worth \$27 billion with Airbus in January to purchase 118 planes from the company. The deal with Airbus was sealed during a state visit to Paris by Iran's President Hassan Rouhani. Apart from Airbus and Boeing, Iran is also negotiating with several other global aviation giants over the purchases of planes including Bombardier and Embraer.

Source: Farsnews

## Hotel Price Deregulation Will Help Spur Growth

It was only a matter of time before financial experts and economists were dragged into the public clash over hotel prices between the Iran Cultural Heritage, Handicrafts and Tourism Organization and hotel owners.

The drawn-out argument between the two culminated in the ICHHTO announcing last week that increasing room rates more than 12 percent within the following Iranian year (starts March 20) is considered to be illegal, to the dismay of hoteliers who lambasted the organization for its "meddling". Following the deregulation of airfares last December, which has reportedly led to an increase in domestic flights thanks to competitive prices, Jamshid Hamzehzadeh, the president of the Iran Hoteliers' Society, called for room rates to also be deregulated.

However, ICHHTO chief Masoud Soltanifar rejected the idea, stating that as long as hotels in Iran "have not been standardized," his organization will be the only entity that sets the prices. He argued that in this way, the ICHHTO can "protect people's right to affordable travel."

"If the government allows hotels to set their own prices, it will lead to more diverse services suited to people," Jafar Kheirkhahan, an economist and academic, told the Persian daily Donya-e-Eqtasad. "This will lead to competitive, not inflated, prices."

He warned that if the ICHHTO keeps its tight grip on hotel affairs it could well lead to the deterioration of service quality, and the resultant loss in revenues will keep away potential investors from the visibly growing hospitality industry.

"The ICHHTO's responsibility is to monitor service quality; not decide room rates. There is no logical explanation why they would interfere with something that requires special training and technical knowledge," Kheirkhahan said. "Their insistence on setting hotel prices will stymie creativity and hamper innovation."

Tourism officials fear that deregulating hotel rates will result in inflated prices; a concern that Kheirkhahan dismisses as baseless.

"People are willing to pay handsomely for quality services hotels will be able to offer if they are allowed to set their own prices," he said.

The economist said offering good services will attract more people, which in return encourages suppliers (in this case hoteliers) to diversify and expand their services, resulting in more revenue. Once the industry starts turning a profit, financiers will be encouraged to enter the market and build hotels. When more hotels offer more services, they will eventually slash their prices in order to remain competitive.

"This helps encourage Iranians to travel domestically, instead of traveling to neighboring countries in search of quality time and taking much-needed foreign currency with them out of Iran," Kheirkhahan argued. According to official data, Iranians annually pay an estimated five billion dollars in fares to foreign airlines. It is believed that they spend several billion more for lodging and shopping in other countries.

Source: Financial Tribune

# About Persia Group

**Persia Associates** is specialized in unique practical and business related legal advice in Iran as well as in the legal firm of confidence of some embassies in Iran. For our international clients we provide experience in International Law, Commercial Law, Technology Law and Intellectual Property Law. This expertise backs up our business development and strategic consultancy services that are summed up in Persia Consulting as a separate arm of the Group.

Our partners and associates combine a superior academic background with international and Iranian legal experience being graduates of top-tier universities and law schools in Iran and Europe. The team is being headed by Dr. Alireza Azimzadeh who obtained his doctorates degree from the University of Vienna Law School. With over 23 years of experience in the Iranian business, he sets the standard for outstanding legal advice in Iran, especially for companies of the DACH region of Europe, Spain and Nordic countries.

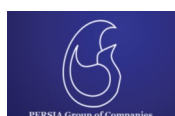
**Persia Consulting** is your professional partner in providing specialized commercial advice on how to enter Iran and expand business, establish companies and partnerships, invest and get negotiation support in order to build long-lasting business relations. Our portfolio comprises of market analysis, partner search, registration with Iranian authorities, business development services as well as strategic management consultancy for international corporations in Iran.

Throughout the years of successful cooperation we have accompanied our international clients from various industries into the Iranian market. This enabled us to gather an extensive know-how about most market segments and expand our top-class networks.

Nevertheless, our focus is on five main fields: Automotive, consumer business, energy, the construction industry and hospitality. The emphasis of our activities is on the operative implementation of the parameters and objectives of business development and the sales and marketing strategies we develop together with the clients. With strategic partnerships and in cooperating with international and national partners, we ensure a high performance standard and a wider reach of business.

Member of the German-Iranian Chamber of Commerce

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# Contact

## Persia Associates International Law Office Persia Consulting Strategy Consultants

Ground Floor, No.27, East Rudbar Ave.,  
Mirdamad Blvd., Shariati Ave.  
PO Box 15875-6847 - 1546814511 Tehran – Iran  
Call Centre: 0098-21-22920772  
Fax: 0098-21-26424725

E-mail: [legal@persia-associates.com](mailto:legal@persia-associates.com)  
Website: [www.persia-associates.com](http://www.persia-associates.com)

E-mail: [office@persia-consulting.com](mailto:office@persia-consulting.com)  
Website: [www.persia-consulting.com](http://www.persia-consulting.com)

Working Hours:  
Saturday - Wednesday 8:30am - 5pm  
Thursday 9am - 1pm

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