

Law on the Administration of Free Trade-Industrial Zones of the Islamic Republic of Iran

Section One: Objective

Article 1

In order to accelerate the accomplishment of infrastructures, development, economic progress, investment, increase of public income, creation of productive employment, regulating of goods and labour market, to be actively present in regional and world market and to produce and to export the industrial and processing goods as well as rendering public services, the government is hereby authorized to administer the following zones as the Free Trade-Industrial Zones in accordance with the present Law and the other legal principles:

- a) Kish Island Free Zone, as delineated on the map attached hereto.
- b) Qeshm Free Zone, a contiguous area not exceeding three hundred square kilometers situated at northeastern part of the island whose boundaries shall be determined by the Board of Ministers.
- c) Chabahar Free Zone (according to the map attached hereto).

Note 1:Free Zones shall benefit from the facilities and privileges provided by this law

Note 2 (Amended on July 21, 1999)

The coastal water boundary adjacent to the Free Zones, whose area of jurisdiction shall be specified and decreed by the board of ministers, shall enjoy the advantages of this law- solely on the grounds of ship bunkering activities.

Note 3:The establishment of new Zones and their boundaries shall be ratified by the Islamic Consultative Assembly upon such proposal by the government.

Article 2

The revenues of the Free Zones shall be spent solely within their annual budget which would be approved by the Board of Ministers. Development aid for areas outside the Free Zones (with the priority to neighboring areas) shall be granted solely upon approval by the Board of Ministers and any other aid shall be considered unlawful use of public property.

Section Two: Definitions

Article 3

In this law, the following terms are used in lieu of the following phrases:

Country: The state of the Islamic Republic of Iran.

Zone: Free Trade-Industrial Zone.

Authority: Authority responsible for the administration of each Free Zone.

The Majlis: The Islamic Consultative Assembly.

Section Three: Functions

Article 4

The Board of Ministers is responsible for:

- a) approval of regulations and coordination of all activities of each Zone;
- b) approval of the charter of the authority and companies affiliated thereto;
- c) approval of the annual development, cultural programs and budgets, and projected financial operations of the Zone Authorities;
- d) approval of the security and law enforcement regulations of the Zones upon confirmation by the supreme commander of the armed forces;
- e) overall supervision of the activities in the Zones.

Article 5

Each Zone shall be administered by an Authority organized as a company, with autonomous legal status, whose capital shall belong to the government. Such companies and their affiliates and subsidiaries shall be exempt from the laws and regulations governing state-owned companies and from other general regulations decreed by the government; they shall be administered solely on the basis of the present law and its respective bylaws, with respect to cases not provided in this law and charter, these companies shall be subject to the Commercial Code.

Article 6

A Board of Directors, consisting of three or five persons, shall administer the Authority. The Board of Ministers shall appoint members of the board of directors. The Managing Director, who shall be the ex officio chairman of the Board, shall be appointed by Presidential decree from amongst the members of the board of directors and shall be the highest executive authority in the economic affairs and infrastructure in the Zone. The managing director and the Members of the board of directors shall be appointed for tenure of three years and their reappointment is permissible. Dismissal from the office of the managing director and the board members rests with the same appointing authorities. The responsibility for and the power of general meetings of each Zone Authority are vested with the Board of Ministers.

Article 7

Upon approval by the Board of Ministers, the Authority of each Zone is empowered to set up, as deemed necessary, companies, which shall be established in accordance with the provisions of the Commercial Code.

Section Four: General regulations

Article 8

The Authority and its affiliated companies are permitted to conclude the necessary contracts with natural or legal persons, whether foreign or domestic, and to participate with domestic or foreign investors for the implementation of development and productive projects, in compliance with the due provisions of the Constitution. Disputes and claims arising out of the concluded contracts, shall be examined and settled in accordance with the mutual agreements and the contractual commitments of both parties concerned.

Article 9

Ministries, organizations, institutes and companies owned by or affiliated to the government, may enter into contracts with the Authority or its affiliate companies for the purpose of providing facilities or services in each zone, within the stipulations of the Board of Ministers decrees. The terms and conditions of such contracts should be drawn up in a manner to safeguard the competitive position of the respective authority as against the Free Zones of other countries.

Article 10

Upon approval by the Board of Ministers, the Authority of each Zone is empowered to collect charges from natural or legal persons residing in the Zone in return for provision of municipal services and communications, health, cultural, educational and welfare facilities.

Article 11

Issuance of permits for any kind of permissible economic activity, construction of buildings and installations and embarking on various occupations which do not require immediate charge, by a natural or legal person within the boundaries of the Zone, rests solely with the Authority.

Article 12

Regulations governing the employment of workforce, social insurance and security and the issuance of entry visa to foreign nationals, shall be based on rules which are to be approved by the Board of Ministers.

Article 13

Natural and legal persons engaged in any kind of economic activity in a Zone are exempt from payment of income and property tax subject to Direct Taxes Law as for a duration of 15 calendar year from the date of the commencement of the operation mentioned in the permit with respect to any type of economic activity in the Free Zone, and upon the lapse of the initial 15 years in issue shall be subject to the tax regulations to be enacted by the Majlis, upon the proposal by the Board of Ministers.

Article 14

Exchange of goods between the Zones and outside the Country is excluded from the provisions of the Export–Import Regulations after being registered at the customs office. Government Regulations for the export and import of goods and customs formalities within the scope of each Zone shall be approved by the Board of Ministers. Trade transactions between the Zones and the rest of the country, whether of commercial nature or by travelers is governed by the general Export- Import Regulations of the country.

Article 15

Upon approval by the Board of Ministers, importation of goods produced in a Free Zone to other parts of the country shall be exempt from payment of all or a part of customs duties and commercial benefit tax up to the added value thereof in the Zone.

Article 16

Importation of goods produced in a Zone, into the other parts of the country, whose raw materials are wholly or partly supplied domestically, is exempt (Proportionally) from all or a part of the customs duties and commercial benefit.

Article 17

Goods transported from the rest of the country for use and consumption in a Zone shall be constituted as domestic movement of goods, but their exportation from a Zone abroad shall be subject to the general Export–Import Regulations.

Article 18 (Amended on July 21, 1999)

A bank and credit institute, in the form of public limited company or private joint stock company, owning registered shares, carrying out banking operation, utilizing the bank title and or credit institute in the Free Zones shall be established solely in accordance with the present law, and the bylaw thereof drafted by the Central Bank of Iran and ratified by the Board of Ministers.

Note 1 : Iranian bank and credit institute, with domestic and external investment in the Zones shall be established upon the proposal of the Zone Authority, and the approval of their article of association made by the "Money and Credit Council" and issuance of license by the Central Bank of Iran.

Note 2 : Opening of a branch, by the Banks and credit institutes, whether Iranian or foreign shall be upon the proposal of the Zone Authority, and approval of the Central Bank.

Note 3 : The governing order in determining the equivalence of the Iranian Rial against the foreign exchange in the Free Zones, shall be ordained by the Board of Ministers.

Note 4 : Transactions in the banking units located in the Free Zones shall be on the basis of the Iranian Rial and shall be subject to the Islamic Banking Regulations. Banking units, having obtained the license for offshore banking operations, are banned from transactions with the Iranian Rial.

Article 19

Upon approval by the Board of Ministers, the Authority is empowered, within the framework of its approved plan and budget, to obtain and guarantee credits from domestic and foreign sources for the purpose of implementing of infrastructures and productive projects. Repayment of these credits shall take place only through drawing on revenues of the Zone concerned.

Article 20

Inflow and outflow of capital and expatriation of profits generated by economic activities in each Zone are permitted. The required regulation for attraction and protection of investment in each Zone and the modality and participation of foreigners in activities in each Zone shall be approved by the Board of Ministers.

Article 21 (Amended on July 21, 1999)

The legal rights of investors, the acceptance of whose capital investment has been decreed by the Board of Ministers, shall be guaranteed and protected. Should the capital of such investors be nationalized to the favor of the public or their properties being dispossessed of, a fair compensation shall be undertaken by the government. The regulations thereto the manner of acceptance of such investments and the manner of compensation shall be in accordance to the bylaw decreed by the Board of Ministers.

Article 22 (Amended on July 21, 1999)

Registration of companies, intellectual and industrial property rights, as well as registration of ships, vessels and the aircraft in the Zone, shall be, accomplished with due to consideration of the article 81 of the constitution, and in accordance with the bylaw decreed by the Board of Ministers.

Note : Registration of companies and intellectual and industrial property rights in each Zone shall be accomplished by the Organization of that Zone.

Article 23 : The Authority is entitled to open representative offices wherever deemed necessary.

Article 24

Utilization of land and national resources belonging to the government within each Zone and the sales or lease thereof to Iranian nationals shall be determined by regulations as approved by the Board of Ministers and with regard to the development plans of each Zone. The Authority of each Zone shall be responsible for the enforcement of relevant regulations.

Note 1: Renting of land to foreign nationals is permitted but its sale thereto is strictly forbidden.

Note 2 : Iranians residing in the islands, subject to the Free Zones, shall enjoy the same rights of ownership of the land and improvements thereto as the rest of the country.

The registry of the Deeds and Properties Organization is obliged to issue title deeds to individuals in accordance with laws and regulations.

Article 25

The president and directors of each Zone Authority, managing directors and board members of affiliated companies, all the ministers and the heads of government organizations, heads of the judiciary power, the Supreme Court and Administrative Justice Tribunal, the public prosecutor, the chief of state inspectorate, their respective deputies and advisors, Members of the Majlis, governors – general, mayors and their deputies and their respective first degree relatives are not authorized to hold shares in companies established by a Zone Authority or in private companies operating in the Zones.

Article 26

The bylaws for implementation of this Law shall be approved by the Board of Ministers.

Article 27

In order to maintain co-ordinations in the activities carried out in the Free Zones and as the case calls for, one of the two following procedures shall be determined based on the approval of the relevant minister:

The executive departments (affiliated to the Executive Power) shall entrust their authorization in Zone, to the chairpersons and managing directors of the Free Zones;

Any one of the officials to act, in the Free Zone, as the head, chief and the acting director for a government department shall be appointed in accordance with the proposal of the Chairperson and managing director of the Free Zone and ordinance of the highest official of the relevant government executive department.

Article 28 (Ratified on July 21, 1999)

Establishment and activity of Iranian insurance institutes with domestic and foreign capital investment, the branches and representative as well as insurance agency representative in the Free Trade-Industrial Zones of the Islamic Republic of Iran is permitted and shall be only subject to the regulations proposed by the Bimeh Markazi Iran and approval of the Board of Ministers.