

Foreign Investment in Iran

Organization for Investment, Economic
and Technical Assistance of Iran
(OIETAI)

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Prague, December 2016

Organization for Investment, Economic
and Technical Assistance of Iran (OIETAI)



Outline



- Why Iran
- Six Fundamental Strengths
Legislation
- Tax Holidays
- New Tax Incentives enforceable from March 2016
- Custom Exemption
- Free Zones Facilities
- International Treaties



The Policy



- Contribution to Economic Development in Industry, Mining, Agriculture and Services
- Upgrading Technological & Management Skills
- Improving Products with High Quality and Competitiveness in International Scale
- Increasing Employment & Exports
- Sharing Benefits and Risks on Equal Term without Discrimination



Why Iran?



- 4th Largest Oil Producer in the World
- 2nd Highest Gas Reserves in the World
- Strategic Location on the Persian Gulf and Strait of Hormuz as a main Maritime Pathways for Crude Oil Transport
- Abundance of Basic Raw Materials and Specially Natural Resources and One of the top Producers of Zinc, Lead, Cobalt, Aluminum, Manganese & Copper in World
- Large Domestic Market with a Population of 78 Million and Middle East Market with more than 350 Million Population
- Developed Infrastructure in Transportation, Telecommunications & Energy
- Trained and Efficient Manpower at a Competitive Cost



Six Fundamental Strengths

Makinsey Global Institute

Iran: The \$1 Trillion opportunity? January 2016



1- Diversified: Iran's Economy is much more than Oil and Gas

- Iran has the largest proven gas reserves in the world and fourth – largest proven oil reserves.
- These are key assets that will enable the economy to grow, both in short term and medium term.
- One of the priorities of the Iranian's government's 2016-21 Five-Year Development Plan is to increase value added in the oil and gas industry and to improve recovery rates.
- Iran's economy is the least dependent on crude oil and gas among major Middle Eastern oil-producing countries.
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- In 2014, just 23 percent of its real gross value added came from oil and gas. That compares with 30 percent in United Arab Emirates, 40 percent in Saudi Arabia, 50 percent in Kuwait, and 51 percent in Qatar.



Continued



- 2- Educated: Iran produces as many engineers as the United States
- 36 percent of Iran's university graduates in 2013 earned an engineering – related degree. That puts Iran in the top five in the world for the total number of engineering-related graduates, almost level with the United States, and ahead of Japan and, South Korea.



Continued



- **3-Increasingly prosperous: Proportionately more households in Iran have income above \$20,000 than China, India or Brazil**
- From Brazil to Thailand, one important predictor of rapid economic growth in emerging economies is a rising consuming class with ever – greater spending power and aspirations that go with it. Iran has an abundance of that.
- Some 45 percent of Iranian households already have annual income exceeding \$20,000 ,a level which define as” Consuming households”.
- As a percentage of the overall population, the current proportion of consuming households is already four times the population in China,(12 percent), and India(11 percent).of the BRICS economies of Brazil, Russia, India and China, only Russia outranks Iran, with 45 of households having an income above \$20,000.



Continued



4-Urbanized: Tehran's GDP is larger than Mumbai's.

- Eight cities in Iran have more than one million inhabitants, the biggest of which- the capital, Tehran, has over eight million residents. With three-quarters of the population living in cities, Iran is more than twice as urbanized as India and it also beats several European nations, both west and East, including Italy, Portugal, Austria, and Ireland. it is far ahead of China, which has an urbanization level of 56 percent.
- Tehran has a bigger than Mumbai, Dubai, Budapest, Manila and Warsaw and about the same as Manchester and Helsinki.



Continued

5- Entrepreneurial: centuries – old business culture lives on.

- There is no Amazon or uber in Iran because American companies are restricted from selling there. But it does not mean Iranians are digitally starved. On contrary, local Iranian version of all these services have sprung up.
- **They include:**
- Sheypoor , the Iranian Craigslist,
- Esam.ir a local version of eBay
- Café Bazaar, which is a sort of Google Play,
- Cloob, which is akin to Facebook
- Among the most successful of the new digital sites is Digikala, one of the biggest e-commerce platforms in the Middle East. it was founded in 2006 and now has 2.4 million unique visitor per month.



Continued



6-Open: Iran's Trade is as big as Japan's as a percentage of GDP

- The United States used to be Iran's seconded partner before the 1979 Revolution, with total trade volume as high as \$3 billion annually. China now accounts for almost 40 percent of all of Iran's trade. India and turkey also have boosted their commercial ties with both taking a 16 percent share of overall trade apiece.
- Iran's exports have fluctuated in recent years but still amount to about one-third of GDP .This on par with Japan and Australia. in absolute terms, Iran exports more than Egypt and morocco combined.



The Legislation



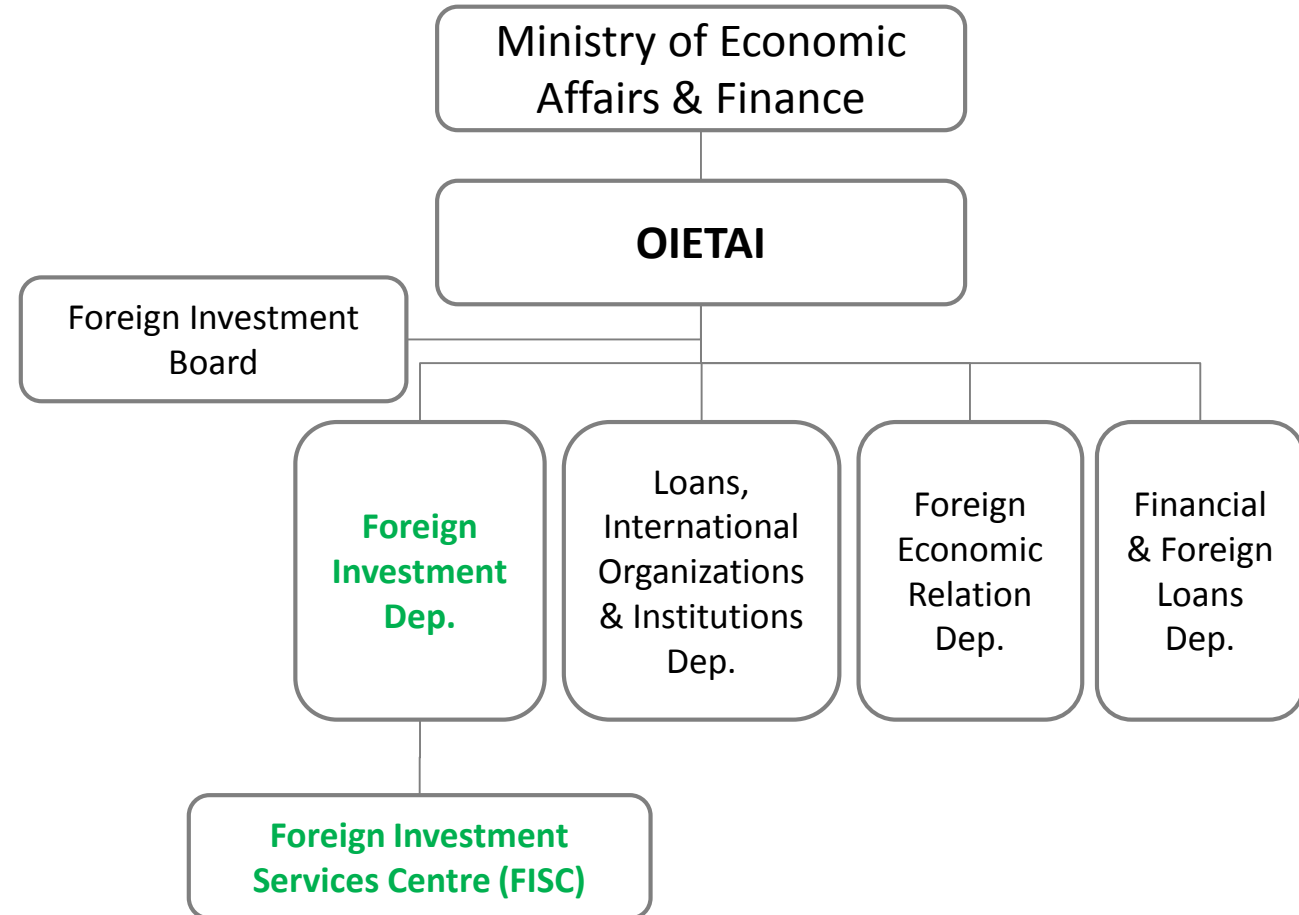
- The Foreign Investment Promotion and Protection Act (FIPPA):
 - Substitutes Former LAPFI
 - Ratified in 2002
- The Corpus:
 - Implementing Regulations of the FIPPA



OIETAI



- Founded in June 1975
- The main official authority to promote and protection of Foreign Investment
- Investigation of all issues related to foreign investment such as:
 - Admission
 - Importation
 - Utilization
 - Repatriation



Foreign Investment Services Center (FISC)



Established at OIETAI with objectives of:

- Facilitation of Issues related to the admission and activities of FDI
- Facilitation of official procedures for required permissions and licenses
- Coordination with Executing Agencies Related to Foreign Investment



FISC Members

from Relevant Executing Agencies





Key Services Offered by FISC

- Dissemination of information and provision of necessary **guidance** to foreign investors concerning investment in Iran.
- General **supervision** concerning the fulfillment of decisions surrounding foreign investment **projects**.
- Necessary **coordination** concerning the issues related to foreign investment including issuance of necessary permits from the relevant authorities, prior to the issuance of the investment license including:
 - the **declaration** of establishment
 - the **environment** protection license
 - the **permits for subscriptions** relating to water, electricity, fuel and telephone
 - the **license** for exploration and exploitation of mines, etc.





Continued

- **Necessary coordination concerning issues related to foreign investment and proceedings for the issuance of the investment license including:**
- **registration of joint venture company**
- **registration of order for importation of machinery and equipments**
- **issues related to importation and repatriation of capital, customs and tax affairs, etc.**



FIPPA: Types of Investments



1. Direct Investment

(Equity Participation) in All Areas Open to Iranian Private Sector

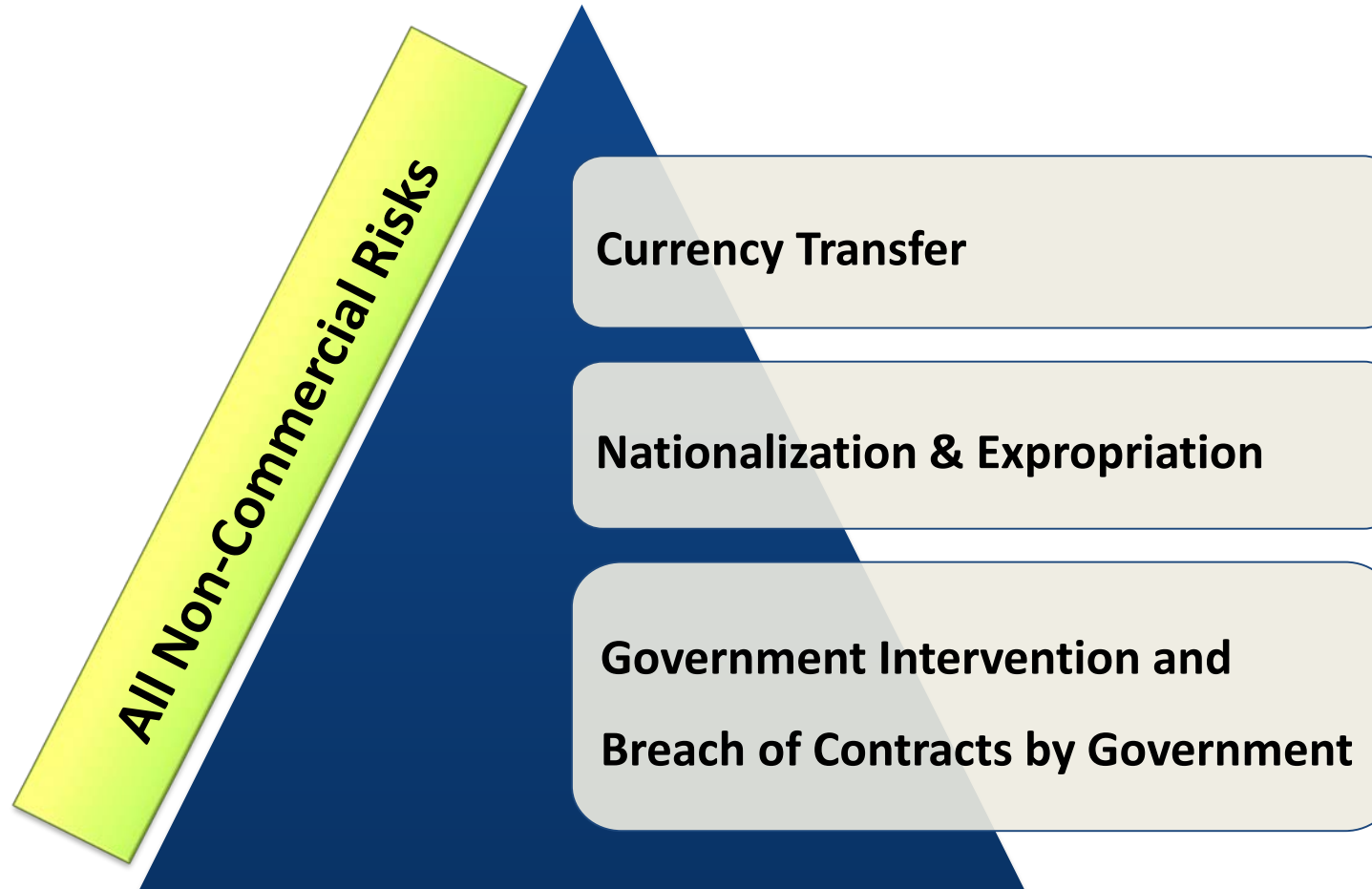
2. Investment through Contractual Arrangements

(Non-Equity Forms):

- Buy Back Arrangements
- Civil Partnership
- BOT Schemes



Risks Covered By FIPPA



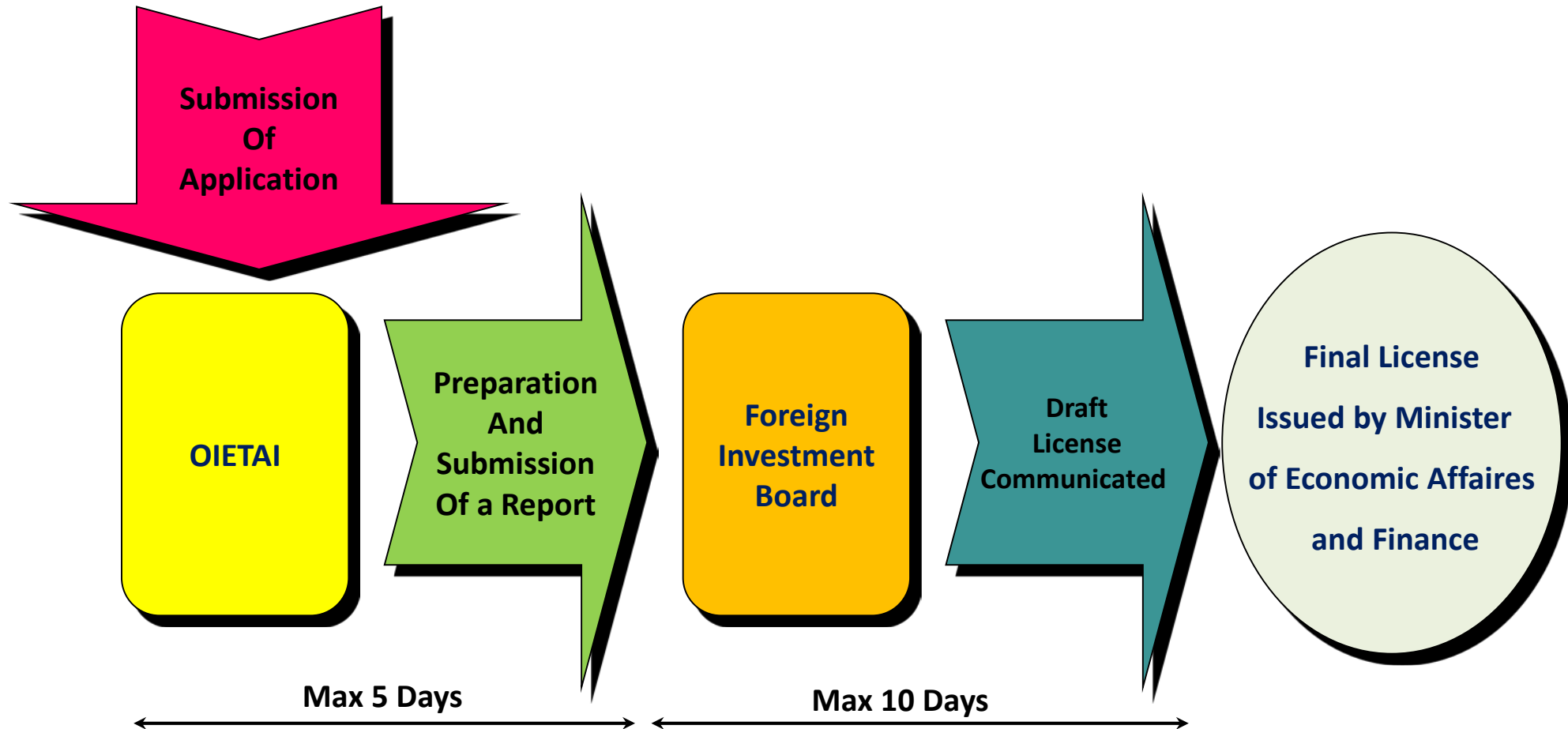
Some Other Features of FIPPA



- **No Limit on**
 - Equity Percentage
 - Volume of Investments
 - Capital Repatriation
 - Types of Capital Imported
- **Article 35 Services**
 - 3 years Multi-entry Visa
 - 3 years Residence Permit
 - Work Permit



Investment Licensing Procedure



Tax Incentives



Income Tax with Rate of 0.0%	Duration of Exemption
Industry, Mining & Services (Hospital & Hotels) located in Main Land	5 Years
Industry, Mining & Services (Hospital & Hotels) located in Industrial Parks and Especial Economic Zones	7 Years
Industry, Mining & Services (Hospital & Hotels) located in <u>Less Developed Areas</u>	10 Years
Industry, Mining & Services (Hospital & Hotels) in Industrial Parks and Especial Economic Zones located <u>in Less Developed Areas</u>	13 Years

100 % of income derived from agricultural activities.

100 % of income derived from export of services, non-oil goods activities.

Permanent

Permanent

• Total Taxable income \leq registered Capital

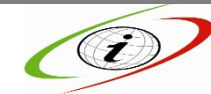
In less developed areas,

• Total Taxable income \leq **double of** registered Capital \longrightarrow

50% of income is free of tax

100% of income is free of tax

o In case of each 5% foreign investment, 10% will be added to these 2 incentives, maximum up to 50% \longrightarrow



Tax Incentives



- In companies with more than 50 employees, in case of increasing the employment volume at least 50% in comparison to last year, one-year exemption can be added to the duration of exemptions (mentioned in previous slide).
- In the case that foreign companies with reliable Brand produce goods by using production capacity of Iranian companies and export at least 20% of total production, can enjoy 50% on Tax Rate for the income from sales of products **12.5 % instead of 25%** after the end of above duration.



Custom Exemption



- Import of Production Line Machineries and Equipment
- Import of Raw Materials used for Production of Export commodities
- Easy Circumstances & No Duty and Tax for Exportation of Products



Free trade zones in Iran

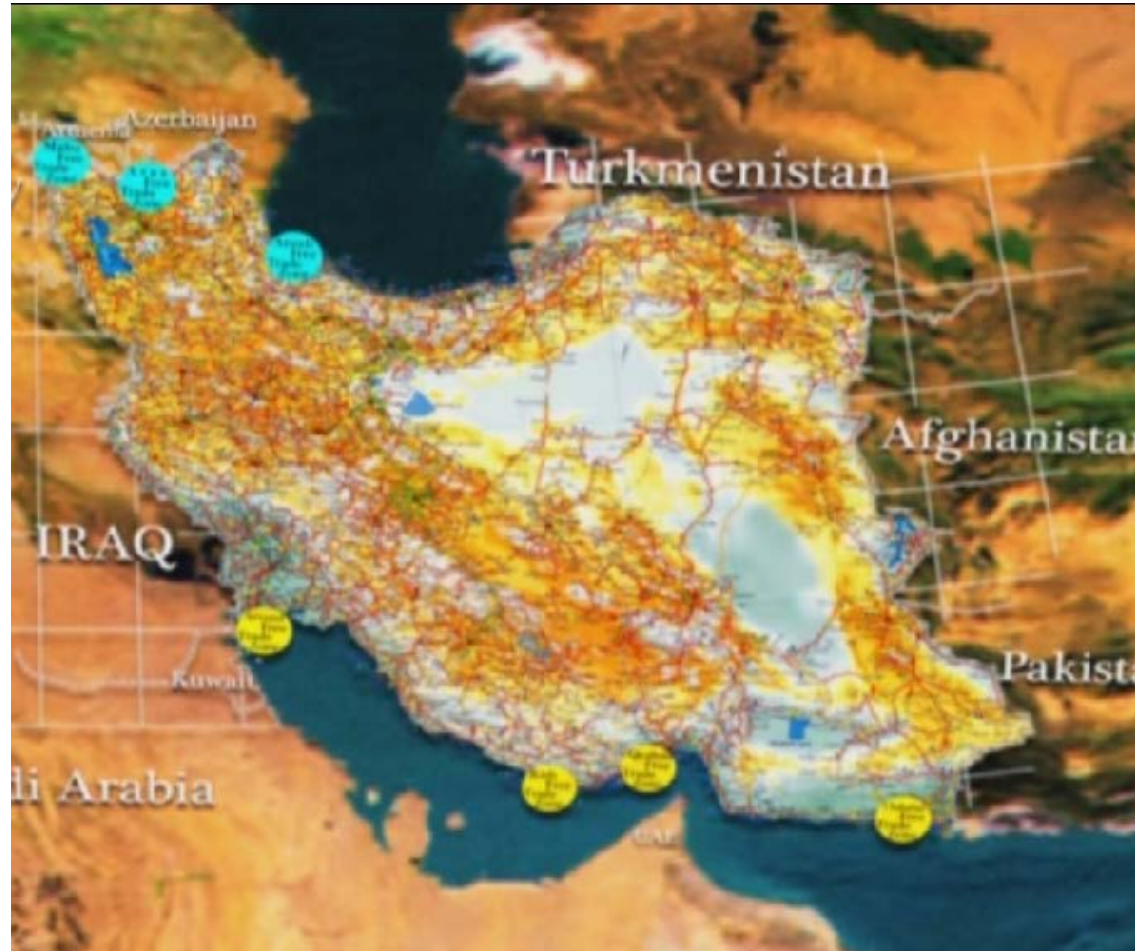


North of Iran:

- Maku Free Trade Zone
- Aras Free Trade Zone
- Anzali Free Trade Zone

South of Iran:

- Arvand Free Trade Zone
- Kish Free Trade Zone
- Qeshm Free Trade Zone
- chabahar Free Trade Zone



Investment Incentives in Free Zones



- 7 free Zones in Iran:
 - 2 in North-West (Aras, Makou)
 - 1 in North (Anzali)
 - 3 in South (Kish, Geshm, Chabahar)
 - 1 in South-East (Arvand)
- 20 Years Tax Exemption for All Economic Activities
- No needed Visa for Entrance of Foreigners
- Custom Exemption for Raw materials and Industrial machineries of Producing units
- Possibility of Exporting Products to The Mainland
- Easy Circumstances for Re-export and Transit of Commodities





Iran Bilateral Investment Treaties

- Iran has signed its first Bilateral Investment Treaty with Germany in 1965, second BIT signed in the World.
- Since 1995, The Organization for Investment, Economic & Technical Assistance of Iran (O.I.E.T.A.I) has Negotiated & Signed 68 BITs with Different Countries from all over the World.
- Iran has Concluded BIT with Many Capital Exporting Countries such as: Austria(2001),China(2000),France(2003),Germany(2002),Italy(1999),Japan(2016),South Korea(1998),Singapore(2016),Spain(2002),Sweden(2005)Switzerland (1998).
- BIT Between Iran and Czech Republic is waiting for getting approval from EU.



Avoidance Double Taxation Agreement



- **Avoidance Double Taxation Agreement**
- Iran has negotiated and signed **Avoidance Double Taxation Agreement** **With 55 countries.**

Fortunately this treaty came into force since 2015 between Iran and Czech Republic.

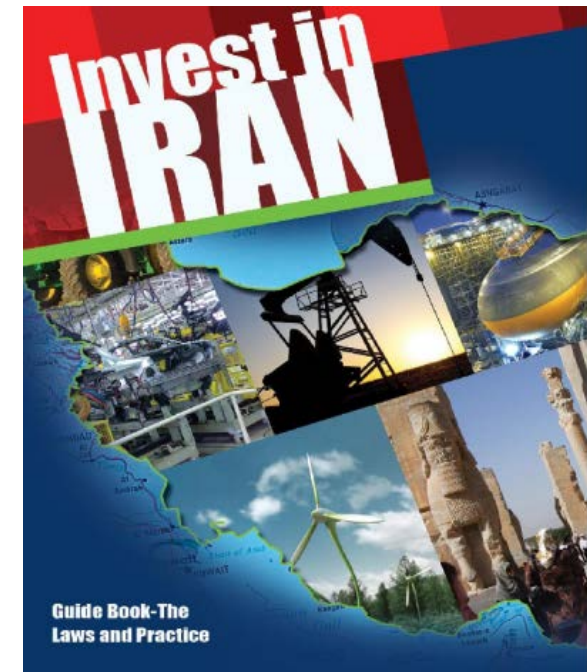


IRAN Investment Guide and Other Publications



Including:

- Introducing Iran macroeconomic performance
- investment climate
- Areas of Opportunities
- The Regulatory Framework
- Visas & Work Permit and procedures to obtain required permissions and licenses for doing business in Iran



Success story 1(South Africa)



Iranian JV	Mtn Irancell
Investor	MTN International (Mauritius) Limited
Foundation	2006
Project	Construction and Operation of 2nd nation wide GSM network
Model of Investment	FDI and by getting the 49% of Iranian company shares.
Amount of Foreign Investment	1.45 Billion Us dollar



Success story 2:(France)



Iranian JV	Renault Pars Co
Investor	Renault s.a.s.
Foundation	2004
Project	Production of passenger cars
Model of Investment	FDI and by getting the 51% of Iranian company shares.
Amount of Foreign Investment	780 million Us dollar



Success story 3 (Turkey)



Iranian JV	Pars Hayat Saglik Urunleri
Investor	Hayat Kimya Sanayi ve Ticaret Mr. Ahmet Yahya Kigili Mr.Mehmet Avni Kigili
Foundation	2007
Project	Production of hygienic paper products
Model of Investment	FDI and by getting the 100% of Iranian company shares.
Amount of Foreign Investment	177 million Us dollar



Success story 4 (Netherland)



Iranian JV	Unilever Iran
Investor	Unilever Holdings B.V.
Foundation	2003
Project	Production of Food, tea and personal care products
Model of Investment	FDI and by getting the 99.3% of Iranian company shares.
Amount of Foreign Investment	59 million Us dollar



Success story 5 (Germany)



Iranian JV	Knauf Iran Iran Gach Knauf Gach
Investor	Gebr Knauf Verwaltungsgesellschaft KG
Foundation	1995, 2002, 2004,
Project	Production of gypsum plaster boards
Model of Investment	FDI and by getting the 86.2 % of Knauf Iranc ompany shares, 82.3 % of Iran Gach and 100% of Knauf Gach
Amount of Foreign Investment	71 million Us dollar



Success story 6 (Switzerland)



Iranian JV	Nestle Iran
Investor	Nestle S.A.
Foundation	2001
Project	Production of infant formula and cereals
Model of Investment	FDI and by getting the 75% of Iranian company shares.
Amount of Foreign Investment	73 million Us dollar





THANK YOU

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