ATIEH ASSOCIATES

Legal Newsletter

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Latest on Foreign Investment Law

The Law on Attraction and Protection of Foreign Investment is still under discussion.

A joint Committee of Parliament and Guardian Council is established once again to study and settle the disputes in the second draft.

The first Law on Attraction and Protection of Foreign Investment was approved in 1955. In June 2001, a new Version of LAPFI was ratified and submitted to the Guardian Council, which was rejected by them shortly after due to various grounds of being unconstitutional and against Islamic principals.

A second version of LAPFI, which was the result of a joint committee of Parliament and Guardian Council was ratified on November 4 2001. But on December 3, 2001 the Guardian Council rejected the draft once again, stating 18 problems existing in the draft.

The Parliament and Guardian Council are currently ironing the differences with the hope of sending it for vote again to the Parliament and later submission to the Guardian Council. Up to now, the Expediency Council – the final arbiter between the two – has been left out of the debates. It is anticipated that any unresolved matters would be submitted to the Expediency Council.

Amendments to Direct Taxation Act Ratified

Following the requirements of the Third Five Year Economic Development Plan and studies by specialized committees, a bill on the amendment of the Direct Taxation Act was presented to the Parliament. The Parliament has ratified most of the amendments thus far.

In several rounds of meetings in the Parliament, some amendments have been made to the Act by which the rate of corporation income tax, salary tax, inheritance tax and land tax were decreased. Other changes include the increase of income ceiling.

The primary goal of the amendment is to decrease taxation rates and provide for a more transparent system. Experts believe that by amending the Direct Taxation Act and providing for a more just and transparent system government revenues will increase, as taxpayers will be more likely report to all their taxable income.

1st Floor, Building No. 74, Argentine Square, Tehran 15139, Iran
Tel: + 98 21 872 1112 Fax: + 98 21 872 0077
www.atiehassociates.com; info@atiehassociates.com

More income tax exemptions are also being provided for in areas such as mining and tourism.

It is expected that the Parliament will ratify the final amendment in the coming month and will submit it to the Guardian Council for approval.

Ministry Unveils Draft of New Policies and Regulations Automotive Industry in Iran

The Ministry of Industry and Mines has been working on a new set of regulations and policies for the automotive sector. A draft set of policies and guidelines has been prepared and distributed to various ministries and the Parliament. Some of the new regulations and policies under this draft include:

1. The import of CKDs and CBUs will be based on the 1991 Automobile Law. However, the foreign exchange rates will be based on the higher rates of exchange.
2. Importation of passenger automobiles that are more than one year old will be forbidden; Similarly trucks, road and construction vehicles that are over three years old may not be imported into Iran.
3. The minimum infrastructure investment for foreign car manufacturers in Iran shall be body assembling, final paint, final assembling, automobile test and services and after sales services.
4. Production of models that are more than 4 years old in the world market will not be allowed.
5. The government will provide incentives for export of vehicles manufactured domestically.

The new policies and regulations are set to come into force by the new Iranian year (March 2002).

Commercial Code to be Amended

The Ministry of Industry and Mines has proposed the amendment of the Iranian Commercial Code. This Code is over 65 years old and not in tune with modern requirements of the new millennium and presents obstacles to both domestic and foreign investors in Iran. If agreed to, a committee will be formed for the purpose of reviewing the code and presenting recommendations for amendments.

Rules of Court on Labor Disputes to be Ratified

With the aim of settling the disputes between employer and employee, the Minister of Labor and Social Affairs will take the responsibility of codifying Rules of Court on labor disputes.

It is expected that draft of rules to be submitted to the Parliament in the next two weeks by the High Council of Labor.

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Exemption of Temporary Entered Goods

The exemption of temporary imported goods from customs and commercial interest payment may be cancelled.

Iran Customs Administration has presented a proposal to the Ministry of Industry and Mines asking for an overview on the Law of Temporary Entered Goods in order to remove the restriction of obtaining customs fees and commercial interest on such goods.

The Customs authorities argue that given the increase in such temporary imports it would be now necessary to charge customs and other import duties.

Double Taxation Treaty between Iran and Syria

Iran and Syria have agreed on a double taxation treaty.

This Agreement has 28 Articles which include income tax, income tax from immovable property, commercial interests, international transportation, common associations, dividends, and capital revenues.

With execution of this Agreement Iranian and Syrian companies in both countries will enjoy added tax benefits.

Iran has double tax treaties with other countries including France, Germany and South Africa.

Iran Considering Anti Dumping Legislation

With the goal of protection of domestic trade in the country Iran is considering anti dumping legislation.

The purpose of this law would be to prohibit import of goods with a cost lower than that produced in Iran.

A draft of this law is being discussed in various ministries in Iran and it is expected that a final draft will be presented to the Council of Ministers in early 2002.