ATIEH ASSOCIATES

Legal Newsletter

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The Law on Protection of the Rights of Automobile Owners

On June 13, 2007 the Parliament approved the "Law on Protection of the Rights of Automobile Owners" which was further ratified by the Guardians Council on June 20, 2007. This law is designed to protect the rights of automobile owners by requiring manufacturers and/or their authorized representatives to provide after sales services to consumers.

The new law obligates automobile suppliers (defined as any natural or legal person who, directly or through intermediaries, proceeds to sell newly manufactured or imported automobiles) to set up a network of authorized representatives, in charge of sales and after sales services. Pursuant to this law, suppliers are obligated to comply with certain standards regarding the safety, quality and soundness of the automobile sold, and to provide a warranty to consumers. The warranty shall be no less than one year or 30,000 kilometers, whichever comes first. In addition, for a period of 10 years after the delivery of the vehicle, the supplier is required to provide technical assistance and supply parts to the buyers.

During the warranty period, suppliers are obligated to remove any defect resulting from faulty design, assembly, manufacture or transportation of the vehicle, or caused during normal use. During this period, the supplier shall pay the costs of remedy of the defects and deficiencies, as well as any losses suffered by consumers and third parties as a result of such defects, including towing charges, temporary replacement rental cars, and even bodily injuries and/or death not covered by insurance.

During the warranty period, in cases where a defect has not been resolved after three attempts, or after the first attempt in cases where it is determined that a defect may cause bodily injuries or death to the owner or others, or if such repairs require the automobile to be held at the repair shop for a period of 30 days or longer, the owner is entitled to receive a new vehicle from the supplier or the cash value of the same, at the discretion of the owner.

Automobile suppliers may not circumvent this law by entering into agreements with consumers that would in any way limit the suppliers' obligations imposed by the law. The law clearly specifies that any agreement made in contradiction to this law or any contract under which the rights and responsibilities of the supplier and consumer are not respected, as defined by this law, shall be unenforceable. The supplier is obligated to provide all buyers with a copy of the law at the time of the sale of the vehicle.

The Executive Bylaws Against Tobacco Have Been Put Into Effect

On October 2, 2007, the "Executive Bylaws of The Law on The Intensive Control of Tobacco Products" was implemented in an effort to enhance public health. This executive bylaw is intended to benefit the public by prohibiting smoking in public places, prohibiting all advertising of tobacco products, restricting sales to minors, and requiring permits for sale of all such products. Additionally, this law attempts to protect Iran's tobacco industry against smuggled tobacco products by providing specific labeling and packaging requirements.

The Law on Repression of Money Laundering

The Law on Repression of Money Laundering was approved by Parliament on January 22, 2008 and confirmed by the Guardians Council on February 6, 2008. This new law defines the crime of money laundering as acquiring, possessing, concealing or using revenues derived from illicit activities with the knowledge that such revenues are the results of committing crimes. Converting, exchanging or transferring proceeds for the purpose of hiding the origin of said funds, with the knowledge that such proceeds are, directly or indirectly, the result of committing crimes, is also defined as money laundering.

The law mandates the formation of the High Council for the Repression of Money Laundering (HCRML), headed by the Minister of Economy and Finance. Other members include the ministers of Commerce, Information, Interior and Head of Central Bank who shall take the necessary actions for the implementation of the new law.

The law requires all legal entities, including all banks (including the Central Bank of Iran), credit institutes, and the like to comply with the regulatory by-laws of the Council of Ministers for the implementation of this law. Additionally, notaries, attorneys, auditors, and accountants are required to provide information in connection with money laundering pursuant to requests for such information by the HCRML.

Those convicted of the crime of money laundering must return any income or proceeds generated by committing the crime and pay a fine equaling one fourth of the income generated through money laundering. The law also calls for cooperation with foreign governments in cases where there exist accords with respect to judicial assistance and exchange of information for such purposes.

Protective, Compensatory and Anti-Dumping Measures for Protection of Domestic Producers

In a decree dated August 7, 2007, the Council of Ministers approved the "Protective, Compensatory and Anti-Dumping Measures". The law is intended to protect domestic consumers against importation of "dumped" and "subsidized" products. Dumping is defined as the "unloading of products in the country at a price lower than the normal price". In other words, when a producer imports its product into Iran and places it on the Iranian market at a price lower than the price of a similar product in the producer's country or a third country where the supplier is exporting to, "dumping" is deemed to have taken place. A subsidized product is one where the government of the country of the exporter provides direct or indirect aid to the exporter of the product causing a reduced price of said product once exported.

Pursuant to this law, a "work group" consisting of representatives from various ministries, including the Ministry of Commerce, Ministry of Foreign Affairs, Ministry of Industries and Mines, Ministry of Agriculture Jihad, Ministry of Cooperatives, Iran Customs Administration, Chamber of Commerce, Industries and Mines of Iran, and the Chamber of Cooperatives shall be in charge of investigation of alleged dumping practices. The work group shall make an assessment, taking the following factors into account: the volume of dumped imports, the present and future effects of dumped imports on the domestic producers of the product in question, including the risks of actual and potential sales drops, reduced domestic production, idle capacities, employment and wage levels, economic growth, and export potentials.

During the course of the investigation, the producer may be formally requested to revise the prices of dumped goods or stop the importation of such goods into Iran. The law also authorizes provisional measures, including the levying of a commercial profit tax, to be carried for up to three months.

If after completion of the investigation, it is determined that dumping has taken place and the import of such product has resulted in losses to the domestic producers of a similar product, or if there exists the imminent risk of such loss being inflicted, final anti-dumping and protective measures will go into effect. Such measures include the levying of a special commercial profit tax for protection of domestic producers, imposing limitations on the import of the goods in question, and/or the payment of subsidies to domestic producers. The government may also impose quotas with respect to the goods in question for various countries.

The protective measures shall remain in force until such time when the said measure is no longer required to counter the losses resulting from imports at dumping or subsidized prices, up to a period of four years. Continuation of the measures beyond this period will require a new investigation.

Iran's Accession to the Patent Cooperation Treaty

The "Law on Islamic Republic of Iran's Accession to the Patent Cooperation Treaty" was approved by the Islamic Consultative Assembly on October 16, 2007 and confirmed by the Guardian Council on November 7, 2007. Pursuant to this law, Iran will be signing the documents of accession to join the Patent Cooperation Treaty ("PCT"). PCT is an international patent law treaty, concluded in 1970, which provides a unified procedure for filing patent applications to protect inventions in each of its contracting states.

Maternity Leave Extended To Six (6) Months

In June 2007, the Islamic Consultative Assembly approved a law, which was confirmed by the Guardians Council on July 4, 2007, increasing the period of maternity leave from four to six (6) months. In addition, new mothers shall be entitled to one hour of leave per day during the first 24 months after the birth of their babies, as opposed to 20 months specified by the previous law.

Value Added Tax Bill Soon to be Approved

The draft bill on the Value Added Tax ("VAT") has been submitted to the Guardians Council for approval and is currently under review. The bill provides for a 1.5% VAT to be implemented within 18 months of the approval of the bill. The tax authorities are hoping to increase the number of tax payers through the transactions reporting system provided in the bill, as well as to add new sources for collection of taxes.

Privatization of Government Owned Entities Continues

The Budget for the year 1387 calls for continued privatization of government owned companies. Up to 65% of the shares of the following government companies are to be privatized by the end of 1387:

- All government banks except for the central bank of Iran, Bank Melli Iran, Bank of Industry and Mine, Agriculture Bank, Bank Maskan, Bank Sepah, and Exports Development Bank;
- All commercial insurance companies except for Central Insurance and Iran Insurance Company;
- Power provision companies except for the main power transfer networks;
- All post and telecommunications companies with the exception of mother telecommunication networks, transfer of frequencies and exchange and distribution of basic mail services;
- All government aviation and shipping organizations except for Civil Aviation Organization and Ports and Shipping Organization;
- All oil and gas companies except for NIOC and those companies extracting and producing oil and gas.

Oil and gas fields, main networks of roads and railways, and Radio and Television will remain state properties.

Recent Treaties Between Iran and Other Countries

- Double Taxation Treaty between Iran and Oman – June 2007
- Investment Treaty between Iran and Afghanistan – Aug 2007
- Preferential Trade Treaty between Iran and Sri Lanka – Aug 2007
- Double Taxation Treaty between Iran and Korea – Aug 2007
- Investment Aid Treaty between Iran and Sweden – Aug 2007
- Double Taxation Treaty between Iran and Romania – Aug 2007
- Double Taxation Treaty between Iran and Sudan – Aug 2007
- Investment Treaty Between Iran and Indonesia –July 2007
- Trade Treaty between Iran and Bangladesh –Aug 2007
- Double Taxation Treaty between Iran and Zimbabwe – July 2007
- Trade Treaty and it's amendments between Iran and Ethiopia – July 2007
- Air transportation Treaty between Iran and Qatar- Aug 2007

- Treaty between Iran and Zimbabwe to support investors – Aug 2007
- Cultural Treaty between Iran and Guinea –Aug 2007
- Custom administration Treaty between Iran and Qatar – Aug 2007
- Trade Agreement Among D-8 Member States - Aug 2007
- Iran-Venezuela Agreement on Air Service- Aug 2007
- Multi- Lateral Treaty for Registration of Patents - Sep 2007
- The Law on Privileged Trade Treaty Between Iran and Tuness -Dec 2007
- ECO Commercial Treaty- Dec 07