

# THE LAW ON THE ADMINISTRATION OF FREE TRADE INDUSTRIAL ZONES

## SECTION ONE: PURPOSE

### Article 1

In order to accelerate the implementation of infrastructural and development projects; to enhance economic growth and progress; to raise the level of investment and public income; to create sound and productive employment; to regulate the labour and products market; to actively participate in regional and international markets; to produce and to export industrial and processed goods; and to provide public services, the government is hereby authorised to administer as free trade and industrial zones, the following areas in accordance with established laws and the present law:

- (a) Kish Island Free Zone, as delineated in the map attached hereto.
- (b) Qeshm Free Zone, a contiguous area not exceeding three hundred square kilometres situated at north-eastern part of the Island whose boundaries shall be determined by the Council of Ministers.
- (c) Chahbahar Free Zone (according to the map attached hereto).

### Note 1

Free Zones and their costal waters shall benefit from the facilities and privileges provided by this law.

### Note 2

Coastal limits adjacent to Free Zones, limits of which shall be determined by Council of Ministers, shall enjoy the privileges derived from this Law strictly in the case of activities related to fuel delivery to ships.

### Note 3

The establishment of new Zones and the delineation of their boundaries shall be subject to the proposal by the government and ratification by the Islamic Consultative Assembly.

### Article 2

The revenues of the Administrative Authorities of Free Zones should be spent solely within the framework of the annual budgets as approved by the Council of Ministers. Assistance to be granted by the Administrative Authorities for the reconstruction and development of other areas (with the priority to be granted to adjacent areas) shall be provided solely upon approval by the Council of Ministers; any other assistance 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 Trade -Industrial Zone  
Majlis: The Islamic Consultative Assembly

### SECTION THREE: FUNCTIONS

#### Article 4

The Council 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 programmes and budgets, and projected financial operations of the Zone Authorities.
- d) upon confirmation by the supreme commander of the Armed Forces, approval of the security and law enforcement regulations of the Zones.
- 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 by-laws. With respect to cases not provided in this law and the charter, these companies shall be subject to the Commercial Code.

#### Article 6

The Authority shall be administered by a Board of Directors, consisting of three or five persons. Members of the board of directors shall be appointed by the Council of Ministers. 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 affairs of economy and infrastructure in the Zone. The Managing Director and the Members of the Board of Directors shall be appointed for a 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 is vested with the Council of Ministers,

#### Article 7

Upon approval by the Council 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 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, with the observance of the stipulations 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, institutions and companies owned by or affiliated to the government, may enter into contracts with the Authority or its affiliated companies for the purpose of providing facilities or services in each Zone, within the stipulations of the Council of Ministers decrees. The terms and conditions of such contracts should be drawn up in a manner that could safeguard the competitive position of the respective authority as against the Free Zones of other countries.

### Article 10

Upon approval by the Council 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.

### Note

Natural and judicial persons shall be free of payment of any other levies, within the limits of the Zone, other than those mentioned in this Article.

### Article 11

Issuance of permits for any kind of permitted economic activity, construction of buildings and installations and embarking on various occupations which do not fall under a direct responsible head person, by natural or legal person, within the boundaries of the Zone, rests solely with the Authority.

### Article 12

Regulations governing the employment of manpower, 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 Council of Ministers.

### Article 13

Natural and legal persons engaged in any kind of economic activity in a Zone are exempt from payment of invoice and property tax as from the date of the commencement of the operation mentioned in the permit with respect to any type of economic activity in Free Zone, and after the lapse of fifteen years shall be subject to the tax regulations to be enacted by the Majlis, upon proposal by the Council 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. Regulations governing the export and import of goods and customs formalities with each Zone shall be approved by the Council of Ministers Exchange of goods between the Zones and the rest of the country, whether of commercial nature or by travellers is governed by the general Export-Import Regulations of the country.

#### Article 15

Importation of goods produced in a Free Zone to other parts of the country is exempt from payment of all or a part of customs duties and commercial benefit tax up to the added value thereof in the Zone, upon approval by the Council of Ministers.

#### Article 16

Importation of goods produced in a Zone all or parts of whose raw materials are wholly or partly supplied domestically is exempt from all or a part (proportionally) of the customs duties and commercial benefit tax relating to the respective domestic raw materials.

#### 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 to the outside world shall be governed by general Export Import Regulations.

#### Article 18

Establishment of banks and credit institutions in the form of private or public registered stock companies and engagement in banking activities and carrying the title of bank or credit institution in the Zones shall be strictly in compliance with this Act and its relevant by-laws which shall be prepared by the Central Bank and approved by Council of Ministers.

#### Note 1

Establishment of Iranian bank or credit institution in the Zones, with Iranian and non-Iranian capital, shall be contingent upon submission of a proposal by the Organization, approval of their constitution by Monetary and Credit Council and issue of a permit by the Central Bank.

#### Note 2

Opening of branches by banks or credit institutions, whether Iranian or foreigner, shall be subject to a proposal submitted by the Organization and confirmed by Central Bank.

#### Note 3

The system for parity rate between Rial and other currencies in Free Zones shall be determined by Council of Ministers.

#### Note 4

Rial transaction of banking units in Free Zones shall be subject to rules of Islamic Banking System. Banking units who have acquired permit for offshore banking activities are not allowed to transact in Rials.

#### Article 19

Upon approval by the Council 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 infrastructural 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 Council of Ministers.

#### Article 21

Lawful rights of foreign investors whose capital acceptance has been approved by Council of Ministers are guaranteed and protected. In case the capital of such investors are nationalised by rule of law for the sake of public interest or their capital is expropriated, fair compensation of damages shall be the liability of the Government. Rules applicable to acceptance of said capitals and methods of compensation shall be in accordance with a by-law approved by Council of Ministers.

#### Article 22

Registration of companies and industrial and intellectual property, as well as the registration of ships, vessels and aircrafts in each Zone shall be effected with due regard to Section 81 of the Constitution and in compliance with rules approved by Council of Ministers.

#### Note

Registration of companies and industrial and intellectual properties of each Zone shall be conducted by that Zone.

#### Article 23

The Authority is entitled to open representative offices whenever deemed necessary.

#### Article 24

Utilization of land and national resources belonging to the government within each Zone and the sale or lease thereof to Iranian nationals shall be determined by regulations as approved by the Council of Ministers and within 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 of Free Zones shall enjoy the same rights of ownership of land and improvements thereto as the rest of the country. The Registry of 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 Majles, governor generals, mayors and their deputies and their respective first degree relatives are not authorized to hold shares in companies established by a Zone Authority as well as in private companies operating in the Zones.

#### Article 26

The by-laws for implementation of this Law shall be approved by the Council of Ministers.

#### Article 27

In order to coordinate the activities of the Free Zones, and as the case may be, and with the approval of the competent minister, one of the following two procedures may be adopted:

- a) The executive organization (affiliated to the executive branch) may transfer their authority to the Chairman and Managing Director of the Free Zone Organization.
- b) Officers of the executive organization functioning in various capacities in the Zones shall be appointed by the proposal of the Chairman and Managing Director and the approval of the competent authority in the executive organization.

#### Article 28

Establishment of Iranian insurance institutions, with Iranian and non-Iranian capital, and registration of their branch or representative offices; and brokerage insurance institutions in the Free Trade – Industrial Zones of the Islamic Republic of Iran is permitted and is subject to the rules proposed by the Central Iranian Insurance and approved by Council of Ministers.

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