Karimi & Associates
Law Firm

WHO WE ARE

Karimi Law Office was founded in 1963 and is now a full service international firm known and registered under the name of “Karimi & Associates Law Firm” With an experience of over 50 years in legal practice, it is one of the pioneers in legal practice, oriented to meet the legal needs of national and international corporations and conduct a wide array of law services.

We have been actively engaged with providing legal assistance and advisory support to foreign investors and business actors reaching out to the Iranian market. We addopt a discipline-based approach to help our clients develop their business quickly and more efficiently.

Benefiting from an experienced and highly skilled legal team with nationwide capabilities and a broad scope of expertise, Karimi& Associates Law Firm is able to provide a seamless coverage of legal advice to foreign and local clients.

As a major step towards expanding our network, we have recently started cooperating with well-known law firms from various parts parts of the world such as Italy, Spain, Switzerland, Germany, Russia, Armenia , Iraq, UAE, Lebanon, China, South Korea, and other countries.This rapidly growing network helps us reach out to clients with a broader geographical coverage. We provide rapid and effective infrastructural legal assistance for projects of any scale and complexity.

GOALS

Our number one priority is to meet our clients' demands to the best of our effort and up to the most professional standards.So far our firm has been positioned to step in this path and moving forward in the same direction is our main concern .

In order to broaden our nationwide and global legal services of high quality to a more divers group of international clients in the future we have been actively taking steps designed to promote and expand our activities .

The reputation gained during years of our practice has not been ascertained except through our clients' trust and our capital in this group is mainly their confidence, which has been achieved as a result of the hard work of a highly skilled team dedicated to success. We are committed to treasuring this reputation in the pursuit of our mission.

Karimi & Associates
Law Firm

STRATEGY

Our Group owes its success to various factors namely consistency, accuracy, expertise, experience, commitment and hard work . We strongly believe in diversity, both in our workplace and in our cooperations with law firms and other entities from around the globe. We are convinced, out of experience, that the more diverse our network and the expertise of our team members are, the easier it will be for us to deepen our richness as a reliable legal source for our clients. Hence we have implemented a diversity oriented strategy to achieve our ambition to take a leadership position in the field of legal practice.

WHY WITH US?

Karimi & Associate Law Firm is one of the leading Law Firms recognized by international web resources. Our team is able to provide advice on the best architecture for both new and developed businesses. A key element of our work is full service legal support for international projects. We help foreign clients to secure sucess in their operations in Iran by providing them with transparent and client-centered services., and we do the same for Iranian companies doing business in foreign markets mainly through the help of our legal network around the world.

Karimi & Associates
Law Firm

PRACTICES

- Corporate Law & Company Registration
- Foreign Investment
- Labor Law
- Taxation
- Intellectual Property
- Banking and Islamic Finance
- immigration Services
- Litigation,Arbitration and alternative dispute resolution methods
- Oil and Gas Law and Contracts
- International Commercial Contracts
- insurance
- Environmental Law

OTHER SERVICES

Through cooperation with counterparts in various areas of business, we provide services to foreign investors based on their needs in different fields such as:

- Due diligence
- Market and investment studies
- Evaluating & auditing the potential partners
- Customs clearance
- Advertising and marketing
- Human resources management
- Real estate
- Event Management

Karimi & Associates
Law Firm

IRAN: FUTURE PROSPECTS AND ECONOMIC OUTLOOK

At present, Iran is moving towards economic growth and the government is encouraging foreign and national investment in private sectors. It is quite clear that economic security and flow of investment are prerequisite for economic growth and for overcoming the country's economic problems caused by international sanctions imposed on Iran. The global business market is drawn by what could become the largest market in the Middle East, with nearly 80 million people, the majority of whom are under 30, well-educated and tech-savvy, and by the country's energy potential.

According to the world bank, as a result of lifting the sanctions and a more business oriented environmentthe Iranian economy bounced back sharply in 2016 at an estimated 6.4 percent, resulting in an overal growth of 7.4 percent in the first half of 2016.The lifting of sanctions , and in particular the positive impact this will have on the banking system, will significantly reduce international transaction costs.

Karimi & Associates
Law Firm

REGISTERING A COMPANY

A wide variety of legal arrangements may be used to carry on business activities in Iran.Foreign investors can now establish their company with 100% ownership of the shares and control other business. This can be an advantage to some companies willing to be directly involved in the Iranian market , providing them with more security and stability as foreign investors.

The selection of an appropriate form of business organization depends on the circumstances of the investment, namely the nature of the activity, the method of finance, income tax ramification and the potential liability of the activity.

The following are some elaboration on two company types that are used more commonly by foreign investors in Iran.

(**A LIMITED LIABILITY COMPANY**) may be formed by two or more individuals for the purpose of carrying out commercial activity.Each partner is liable for the responsibilities and obligations of the company merely to the extent of its contribution and the company's capital is not represented by shares or bonds.

The phrase “Limited Liability” must appear at the end of the company's name ; otherwise the company shall be deemed a general partnership vis-a-vis third parties. With regard to the controlling organization of a limited liability company, where there are more than 12 partners, then there has to be a board of supervisors.

(**A JOINT STOCK COMPANY**) is a company whose capital is divided into shares and the liability of whose shareholders is limited to the par value of the shares respectively held by them. Joint stock companies fall under two distinctive categories. The first category consists of a company whose promoters secure a portion of its share capital by way of transferring shares to the public and such a company is called a public company. The second category consists of a company whose share capital, in its entirety, is secured by its promoters at the time of its formation and such a company is called a private company. In joint stock companies the phrase "Public Joint Stock Company" or "Private Joint Stock Company" should appear immediately either before or after the name and style of the company as the case may be.

Karimi & Associates
Law Firm

FOREIGN INVESTMENT

In addition to the old Commercial Code of Iran, for the purpose of attraction of the foreign investors, the law on “Attraction and Protection of Foreign Investment” (FIPPA) was ratified in 2002. In light of FIPPA, the foreign investors are treated the same as the Iranian nationals with respect to various issues and will receive protection for entrance and exit of capital.

Some developments introduced by FIPPA for foreign investments in Iran can be outlined as follows:

• Broader fields for involvement by foreign investors, including involvement in major industries.

• Recognition of new modes of foreign capital exposure in addition to foreign direct investment, e.g. project financing, buy-back financing arrangements and build-operate-transfer(BOT)investment schemes.

• Streamlined and fast - track investment licensing application and approval process.

• Creation of a one - stop institution called the Centre for Foreign Investment Services at the Organization for Investment, Economic and Technical Assistance of Iran (OIETAI),in order to provide focused and efficient support for foreign investments in Iran.

•Further liberalization of foreign currency exchange mechanisms.

•Introduction of new legal options governing government - investor(s) relations.

Moreover,Iran has concluded more than sixty bilateral investment treaties (“BITs”) with countries such as Austria, China, Cyprus, France, Germany, Italy, South Korea, Spain, Switzerland, and Turkey .These BITs offer the highest level of protection of foreign investments to be made in Iran. Iran is also a party to the Agreement on Promotion, Protection and Guarantee of Investments among Member States of the Organization of the Islamic Conference (“OIC Investment Treaty”)

OIL AND GAS LAW

Iran has a unique position in terms of hydrocarbon reserves as the Fourth largest oil reserves and the second largest gas reserves in the world.Upstream and downstream activities are under separate legal regimes in Iran and each of these two regimes is introduced below in summary:

• Upstream Activities

According to provisions of Iranian Constitution, upstream oil and gas activities belong exclusively to the public sector ,therefor foreign investment in this field shall not lead to ownership and control by foreigners over oil and gas resources.However, foreign investment could be made within the framework of “Civil Partnership”,”Buy Back”, and “Build,Operate and Transfer” (BOT) schemes where the return of capital and profits accrued is solely emanated from the economic performance of the project in which the investment is made, and such return of capital and profits shall not be dependent upon a guarantee by the government or government companies and/or banks.

Despite constitutional restrictions on foreign investment in oil and gas sector, “Buy Back Formula”has been used since the mid 1990's to attract foreign investment in this field.After the 5+1 negotiations with Iran whereby the nuclear deal was concluded, the new contractual regime of service contracts called the “Iran Petroleum Contracts” (IPC) were designed to replace old buy back contracts.

The IPC introduces a new mechanism of JOC and JOA connecting the international energy market to the local market of Iran, it will not only open a path for IOCs to play their roles in the oil and gas industry of Iran, but also it opens a window of opportunity for smaller foreign companies to team up with the Iranian partners of choice to benefit from existing schemes of IPC.

The table below illustrates some of the key features and benefits of new Iranian Petroleum Contracts:

Karimi & Associates
Law Firm

KEY TERMS OF IPC

Contractor	Incorporated or unincorporated JV with Iranian entity
Term	• Development and production – 20 years (plus 5 year extension for IOR/EOR) • Greater certainty regarding cost recovery and return on investment • Incentive for investors to make longer term investments and maximise field life
Operatorship	• Contractor during exploration/appraisal Requirement to establish a joint operating company in Iran to operate field during development and production phases
Minimum production levels	Production targets will exist
Remuneration Fee	• no cost recovery or payment of the remuneration fee until production • Fee will vary depending on “R-factor” and production rates Adjustment mechanism based on market price (subject to cap)
Cost Recovery	• the proposed terms of the IPC allow for costs to be based on an annual financial-operational plan approved by the contracting parties.
Incentives	• Remuneration Fee will reflect exploration risk and field type • Incentives for IOR/EOR Joint fields given priority
Local Contnt requirements	• As with buyback contract, at least 51% to be contracted locally Iranian government expects a greater percentage and will favour companies that aim to exceed the minimum requirements
Dispute resolution	• Arbitration with details (e.g. seat and rules) to be agreed by parties Iranian Constitution requires political approval for submission to arbitration in certain circumstances

• Downstream Activities

Foreign investment in downstream activities could be made either in the form of foreign direct investment or within the framework of “Civil Partnership”,”Buy Back”, and “Build,Operate and Transfer” (BOT) schemes as decribed above. A wide range of contracts could be used for foreign investment in downstream oil and gas activities, including contracts envolving only one activity such as “Engineering ”, “Procurement” or “Construction” as well as those involving more than one activity such as “Engineering,Procurement and Construction”(EPC),”engineering and Prcurement”(EP),”Engineering,Procurement,Construction and Management”(EPCM) ,”Engineering,Procurement,Construction and Finance”,”Buy Back”,etc.

Karimi & Associates
Law Firm

LABOR LAW

The first labor Law was approved in 1949 and later replaced in 1991. This law forms the cornerstone of labor legislation in Iran with regards to employer- employee relationship. Iran has also been a member of the International Labor Organisation (ILO) since 1949.

ISSUES RELATED TO IMMIGRATION IN IRAN (BUSINESS VISAS AND RESIDENCY)

Foreign nationals are prohibited from working in Iran unless they receive work permit (even if they are supposed to receive wage and salary outside the Iranian territory). The work permit serves as the employment license for the foreign nationals in Iran.

The work permit for the employment of foreign nationals in Iran is issued by Employment of Foreign Nationals (also called Department for Employment of Expatriates) of the Ministry of Cooperatives, Labor and Social Welfare upon a request by Iranian employers. In provincial capitals it is issued by the Foreign Citizens Divisions of the Department General of Cooperatives, Labor and Social Welfare. The Iranian employers are obligated to seek the permission of the Department General for Employment of Foreign Nationals before concluding any contract that may lead to the employment of foreign citizens in Iran.

TAXATION

Foreign investors in Iran enjoy the same support and privileges that are offered to the Iranian investors. In this connection, the Direct Taxation Law passed in 1987 and the following amendments have considered no discrimination in taxation of domestic and foreign investors. This means both Iranian and foreign investors pay the same amount of taxes. Tax exemptions and discounts are also equally granted to domestic and foreign investors.

The Iranian tax system is divided into two general categories of direct and indirect taxes.The share of direct taxes from the total tax revenues is almost 68% currently. There are two major types of direct taxes including income taxes and property taxes. Each category of direct taxes, in turn,is divided into sub-parts. Indirect taxes include taxes on imports and Value Added Tax (VAT).

Taxation for foreign investors fall under two categories of property and income tax in Iran. Since manufacturing units and economic enterprises are usually active as legal entities, we will here focus on the rules and regulations for taxation of legal entities income and their exemptions.

I. LEGAL ENTITY INCOME TAX

The aggregate income of companies, and also the income from the profit-making activities of other juridical persons, derived from different sources in Iran or abroad, less the losses resulting from non-exempt sources and minus the prescribed exemptions, shall be taxed at the flat rate of 25%, except the cases for which separate rates are provided under the present Direct Taxation Law. Persons, whether legal or real, will not be taxable for the stocks or the dividends of their shares in other capital corporations.

The Direct Taxation Law and other pertinent legislations have considered certain exemptions for the legal entities as the following:

Factory owners and legal entities are obligated to, even within the exemption period, submit declaration and profit and loss balance sheets, provided from their official statutory books, maximum four months after their tax year (March through February in Iran)2 along with the list of partners and shareholders and their shares and addresses to the tax department within the area of the activity of the legal entity (Article 110). If these legal entities do not submit the documents within the stipulated time span, the tax exemption will be null and void .

Karimi & Associates
Law Firm

II. VALUE-ADDED TAX

The Value-Added Tax Act (VATA) was ratified by the parliament in 2007. Value- added tax (VAT) in Iran is levied on the sale of all goods and services and their imports, except 17 items listed in Article 12 of VATA as the exempted ones. VATA, however, does not include the export of goods and services through official customs gates. Therefore, the taxes paid for the export of goods and services will be refundable by submitting the customs clearance sheets (for goods) and valid documents . Currently, the VAT rate stands at 9% as of 2015 (VAT rate for two special goods of cigarettes and jet fuel is relatively high). To reduce the country's dependency on oil incomes, the Fifth Five-Year Development Plan has anticipated a n annual one-percent increase in the VAT rate to put it at 9% in year of 2015.

Karimi & Associates
Law Firm

FREE ZONES

Establish your business in the free zones of Iran and you will be exempted from paying any taxes for the first 15 years of your activities in the Free Zones. In addition, you can now establish a company in the free zones of Iran without any limited number of shares. Currently 7 major districts are allocated to Free Zones of Iran in order to encourage foreign investments.

The purpose of “Free Industrial & Trading Zones” is to attract foreign and local investments in industrial, trading and other areas of business providing incentives for investors to conduct their business more easily in Iran. Eliminating the unnecessary formalities and regulations will help starting your business easier and faster in the “Free Industrial & Trading Zones” of Iran.

Below you can find the list of the Free zones in Iran:

1. Qeshm Trade-Industrial Free Zone
2. Chabahar Trade-Industrial Free Zone
3. Aras Trade-Industrial Free Zone
4. Anzali Trade-Industrial Free Zone
5. Arvand Trade-Industrial Free Zone
6. Kish Trade-Industrial Free Zone
7. Maku Trade-Industrial Free Zone

Karimi & Associates
Law Firm

INTELLECTUAL PROPERTY LAW

Iran is a signatory to the international Union and has ratified the Lisbon Act of 1958 which protects intellectual property affecting the patents and invention. In addition, Iran has ratified amendments to the Paris Convention of July 14th 1967 and October 2nd 1979 and , the convention of World Intellectual Property Organization (WIPO) in 2002 as well as Madrid Agreement and Protocol concerning the international registration of marks (Madrid System) in 2003.

Trademarks are protected under “Patent, Industrial Design and Trademarks Registration Act”(2008) in Iran. Subject to compliance with regulations of the said law, the person who registers his trademark will be entitled to the exclusive rights and privileges to use his trademark. These rights will be enforceable after an application for registration is published and will be valid for a period of ten years which is renewable at the request of the registered owner .The latter could institute court proceedings against those who infringe his exclusive rights by resorting to the regulations of this act.

IMPLEMENTATION OF FOREIGN ARBITRATION AWARDS IN IRAN

Iran is a member of “The convention on the Recognition and Enforcement of Foreign Arbitral Awards ” ”New York Convention” ” by enacting “The Law of Adhesion of the Islamic Republic of Iran to New York Convention on Recognition and Enforcement of Foreign Arbitral Awards(1958).Pursuant to the Single Article, the NY Convention will be applicable on a reciprocal basis and arbitral awards pertaining to commercial matters and issued in the territory of the member states of the convention are recognized and enforceable in Iran. Another important set of rules concerning international commercial arbitration could be found in “International Commercial Arbitration Act”(1997) .Essentially based on the UNCITRAL MODEL LAW as its major source, this set of rules is another step taken by Iranian legislator towards harmonization of national laws with those of many other countries. It is noteworthy that in accordance with article 139 of the Iranian constitution, arbitral decisions of a foreign party with the Iranian government or a public company require the explicit consent of the parliament.

Karimi & Associates
Law Firm

RECOGNITION AND ENFORCEMENT OF FOREIGN JUDGMENTS AND AWARDS

A foreign Judgment is enforceable in the Iranian courts on a reciprocal basis, provided that the judgment is enforceable in the country where it issued and it is not contrary to Iranian laws concerning public morals and public order.Other requirements to be fulfilled in order for a foreign judgment to be enforceable in Iran are elaborated in detail in “Civil Judgments Enforcement Act” .

Karimi & Associates
Law Firm

Address: No.161,Taleghani St.Tehran-Iran Post code: 1571717415
Tel: (+9821) 88820999 , (+9821) 88308143 Fax: (+9821) 88839918
www.karimilawfirm.com
info@karimilawfirm.com