

# The Law on the Administration of Free - Trade Industrial Zones

Monday 31 January  
2005

from: [www.netiran.com](http://www.netiran.com)

Iran Transit Directory 2002, Special  
Issue Pages: 95 - 97 Word Count:  
1921

<SCRIPT type=text/javascript>

<SCRIPT  
src="http://pagead2.googlesyndication.com  
/pagead/show\_ads.js"  
type=text/javascript>

## Article 1

In order to accelerate the implementation of infrastructural and development projects 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 product 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 hereby authorized to administer as free trade and industrial zones, the following area accordance with established law and the present law:

- (a) Kish Island Free Zone
- (b) Qeshm Free Zone, a contiguous area not exceeding there hundred square Kilometers situated at northeastern part of the Island whose boundaries shall be determined by the Council of Ministers.
- (c) Chabahar Free Zone

Note 1: Free Zone shall benefit from the facilities and privileges provided by this law.

Note 2: 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

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 Zones.

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 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 project financial operations of the Zone Authorities.
- d) Upon confirmation by the supreme commander of the Armed Forces, approval of the security and law enforcement regulation of 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 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 from amongst the Members of the Board of Directors and shall be 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 meeting of each Zone Authority is vested with 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

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 natural 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 on accordance with the mutual agreements and the contractual commitments of both parties concerned.

##### Article 9

Upon approval by the Council of Ministers, the Authority of each Zones 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.

##### Article 10

Issuance of permits for 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 11

Regulations governing the employment of manpower, social insurance security the issuance of entry visa to foreign national, shall be based on rules which are to be approved by the Council of

are to be approved by the Council of Ministers.

#### Article 12

Natural and legal persons engaged in any kind of economics 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 regulations to be enacted by the Majlis, upon proposal by the Council of Ministers.

#### Article 13

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 travelers is governed by the general Export - Import Regulations of the country.

#### Article 14

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 15

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

dues and commercial benefit tax relating to the respective domestic raw materials.

#### Article 16

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 17

Rules and Regulations on monetary and banking operations and transactions conducted in the Zones shall be drawn up by Central Bank of Islamic Republic of Iran within three months after the ratification of this law, with the aim of safeguarding the competitiveness of a Zone vis -a - vis free Zones of other countries and shall be approved by the Council of Ministers.

Note 1: The Free Zone's Foreign exchange system and equivalency of Iranian Rial against to exchanges will be determined with regards to the Article 6 of the "Law Concerning Execution of Governmental Punishment" Pertaining to the "Goods and Foreign Exchange Smuggling Law."

Note 2: Establishment of the Iranian bank with minimum of 51 % government shares, setting any foreign bank branch establishment of non - banking credit institutions whether Iranian or Foreigner or setting up of their branches in the Free Zones, shall be effected upon suggestion of the Zone Authority and Central Bank for approval the Board of Ministers.

Note 3: The branches of foreign banks located in the Free Zones, and those group of the Iranian banks authorized by the Central Bank of Islamic Republic of Iran to have activities in the Free Zones can perform offshore banking

Zones can perform onshore banking activities in accordance with the Islamic banking activities in accordance with the Islamic banking principles and criteria decreed by the Board of Ministers.

#### Article 18

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 19

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 20

Upon approval by the Council of Ministers, the Authority of each Zone is empowered to guarantee foreign investments against losses from expropriation and nationalization, up to the ceiling of the commitments contained in the respective contracts, by utilizing its own assets or through contracts concluded with the bank, credit institutions and insurance companies.

#### Article 21

In compliance with Article 81 of the constitution and rules approved by the Council of Ministers, the registration of companies and industrial and

companies and industrial and intellectual property, as well as the registration of ships, vessels and aircrafts in each Zone, can be effected.

#### Article 22

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

#### Article 23

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 with 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 the 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 24

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 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

first degree executives are not authorized to hold share in companies established by a Zone Authority as well as in private companies operating in the Zones.

#### Article 25

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

#### Article 26

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 Zone shall be appointed by the proposal of the Chairman and Managing Director and the approval of the competent authority in the executive organization.