- In the case that foreign companies with reliable Brand produce goods using production capacity of Iranian companies and export at least 20% of total production, can enjoy 50% on Tax Rate for the income derived from sales of products (it means total tax rate will be12.5 % instead of 25%) after the end of above duration.

Value-Added Tax Act (VATA) in Iran

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 (Article 13).

Currently, the VAT rate stands at 9% (VAT rate for two special goods of cigarettes and jet fuel is relatively high).

Economic activities in Free Trade and Industrial Zones are Exempted From Value-added Tax.

Agreements to Avoid Double Taxation

To facilitate cooperation between Iranian nationals and foreign nationals and to boost trade and economic exchanges with foreign countries, the government of the Islamic Republic of Iran has signed mutual agreements to avoid double taxation.

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Organization for Investment, Economic and Technical Assistance of Iran (O.I.E.T.A.I.)

Guide on Iranian Taxation System for Foreign Investors

Guide on Iranian Taxation System for Foreign Investors

Similar Taxation for Iranian and Foreign Investors

Foreign investors in Iran enjoy the same supports 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 Direct Taxation Law, passed in 1987, is regarded as the core of the taxation system in the Islamic Republic of Iran. The law was extensively reviewed and reformed in 2015 to be in tandem with the ongoing economic conditions in the country. Production and investment promotion in line with the economic development of the country was one major factor behind the need for amendment of the law (supporting the newly established manufacturing and mineral units according to Article 132 and investment promotion according to article 138).

Taxable Real and Legal Entities According to Direct Taxation Law

1. All owners, whether real or legal, for their properties inside Iran according to the taxation rules under Chapter 2 of the Direct Taxation Law
2. Any real person residing in Iran for the incomes earned inside and outside the country
3. Any Iranian real person residing abroad for all the income he she makes in Iran
4. Any Iranian legal entity for the incomes earned inside or outside the country
5. Any non-Iranian real or legal entities for the income earned in Iran and also for the income gained through delegation of authority, dealership, technical and educational assistance or movie contracts (for any sort of income earned as rental, right of display and the like) in the territory of the Islamic Republic of Iran

Types of Taxes in Direct Taxation Law

a) Property Tax:[1]

- Inheritance Tax
- Stamp duty (It is a type of tax levied on some documents such as checks, bills of exchange, promissory notes, negotiable instruments, stocks and shares, … according to Articles 44 through 51 of Direct Taxation Law.)

b) Income tax:

- Property income Tax
- Agricultural Income Tax
- Salary Income Tax
- Self-employment Tax (the type of income a person earns in Iran through self-employment)
- Corporate income tax (special for legal entities)

Since manufacturing units and economic enterprises are usually active as legal entities, we will hereunder focus on rules and regulations for taxation of legal entities income and their exemptions.

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) along with the list of partners and shareholders

Highlights of Tax Holidays

Income Tax with Rate of 0.0%	Duration of Exemption
Industry, Mining & Services (Hospital & Hotels)	5 Years
Industry, Mining & Services (Hospital & Hotels) in Industrial Parks and Special Economic Zones	7 Years
Industry, Mining & Services (Hospital & Hotels) in Less Developed Areas	10 Years
Industry, Mining & Services (Hospital & Hotels) in Less Developed Areas located at Industrial Parks and Special Economic Zones	13 Years
100% of Income derived from Agricultural Activities	Perpetual
100 % of Income derived from Export of Services, Non-oil goods, Agricultural Products and 20% of Income derived from Export of Non – Processed goods	Perpetual

- In companies with more than 50 employees, in case of increasing the employment volume up to 50% in comparison to last year, one-year exemption will be added to the duration of exemptions period (mentioned in above schedule).

1. Three other types of property taxes (Annual Real Estate Tax, Vacant Real Estate Tax, Tax on Barren Land) have been deleted from the Direct Taxation Law amendment in 2001).
2. Financial year in Iran starts in March through February next year. For the companies with different tax year, the financial year is taken into account. 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 (Article 193)