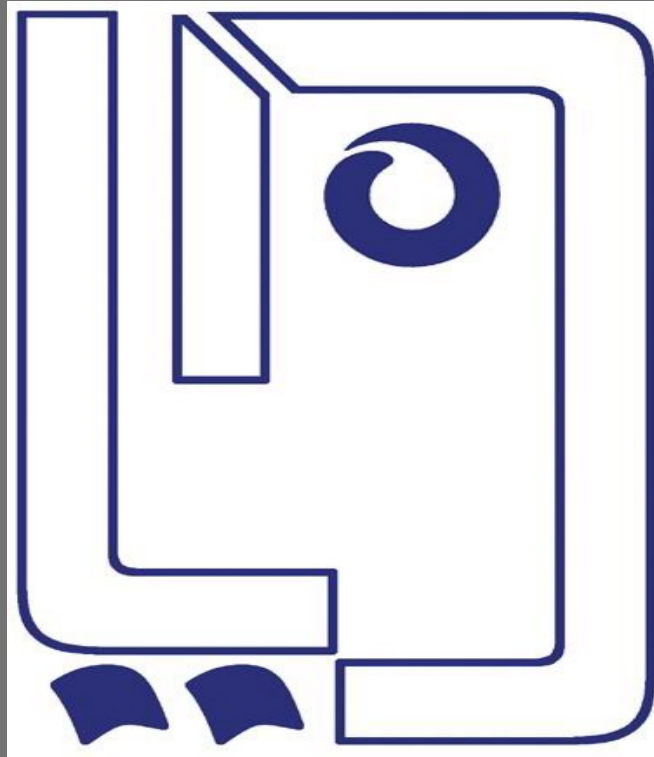


2009

Iran Tax high light

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Dayarayan

Iran Highlights

Currency: Iranian Rials(IRR)

Foreign exchange control: No

Accounting principles/financial Statements: IAS/IFRS. Financial Statements must be prepared annually.

Principal business entities: These are the public and private limited liability company, partnership and branch of a foreign corporation.

Corporate taxation:

Residence- A Company is resident in Iran if its management and control is exercised in Iran.

Registration in Iran is not decisive.

Basis-Resident companies are taxed on worldwide income. Foreign-source income derived by tax resident companies is subject to corporation tax in the same way as Iran source income.

Branches are taxed the same way as domestic companies.

Taxable income-Corporation tax is imposed on business profits; interest and discounts; rents, royalties, remunerations or other profits from property, and net consideration in respect of trade goodwill. Expenses incurred for the production of income are tax deductible.

Losses brought forward or surrendered by company can be set off against taxable profits.

Taxation of dividends-Dividends received from companies located in Iran are exempt from corporation tax but dividends received from companies located out of Iran are subject to corporation tax

Capital gains- sale value of securities and listed companies are taxable at .05% and 4% for face

Value of unlisted companies.

Real State Tax: Final transfer of real properties as well as the transfer of goodwill is subject to a fixed rate.

The basic of taxation shall be taxable value in case of real state at 5% of the so-called and 2% value received by the owner or possessor of the right in case of goodwill.

Losses-Tax losses can be carried forward and set off against taxable income of subsequent years without any time limit.

Tax rate-Companies, includes all kind of corporate bodies, and are subject to corporation tax at affixed rate of 25%.

Certain types of income (i.e. dividends, interest and rent) for foreigners residing abroad subject to a special defense contribution at the rate of 5% and 7.5% respectively.

Surtax – No

Alterative minimum tax - No

Foreign tax credit- Relief for taxes paid abroad is granted against Iran tax due in the form of a tax credit.

The relief is given unilaterally regardless of the existence of a tax treaty. When a treaty applies, the treaty provisions apply if more beneficial.

Participation exemption- See under "Taxation of dividends", see also "Capital gains".

Incentives – Special taxation regimes exist for ship-owning companies that have Iran flag vessels and ship management companies.

Withholding tax:

Dividends- Dividends paid to resident or nonresident (individual & companies) are not subject to withholding tax.

Interest- There is no withholding tax on interest and fees paid made to Iranian banking, cooperative funds and authorized non-bank credit

institution but interest paid or nonresidents. Interest paid to nonresidents is subject to a 5% special defense contribution deducted at source.

Royalties- Royalties paid to nonresidents for the use of rights in Iran are subject to a final withholding tax of 5% for manufacturing and governmental section and , and 7.5% on all other royalties. These rates may be reduced under a tax treaty. Royalties paid to nonresidents for the use of rights outside Iran are exempt from withholding tax. There is no withholding tax on the payment of royalties by a resident company to another resident company.

Branch remittance tax – No

Other taxes on Corporations:

Stamp duty – Capital duty is payable on authorized share capital and the issuance of shares at a rate of 0.2%.

Payroll tax- Employers are required to withhold personal tax on the salaries of employees under the PAYE system.

Real property municipal tax – Tax is imposed annually on the governmental value of immovable property.

Social security – Employers must make social insurance contributions amounting to 23% of gross salary. The maximum amount of annual earning on which the contributions are payable is variable and for year ended March 21, 2009 is about Euro 1423 (1423x23%=328).

Additionally, employee is required to make a contribution of 7% to the social cohesion fund on all earning of employees till cap 1423 Euro.

Transfer tax – Transfer of immovable property are subject to transfer fees ranging from 5% calculated on the special value of

the property as estimated by the Iranian National Tax administration.

Anti-avoidance rules:

Transfer pricing – The arm's length principle requires that transactions between related parties be carried out at market value and on normal commercial terms.

Thin capitalization – No

Controlled foreign companies – No

Other – Under a general anti-avoidance provision, any artificial/fictitious transaction may be disregarded and the Commissioner of Income Tax may assess tax on the person conceded.

Disclosure requirements – No

Administration and compliance:

Tax year – The tax year is the calendar year. The accounts of a company may be closed on a date different from 21 March, in which case, taxable profits are apportioned on a time basis to the relevant tax years.

Consolidated returns – Taxation on a consolidated basis is not permitted and each company is required to submit a separate return.

Filing requirements – Tax returns must be filed by 31 Tir (July 22) following the accounting year end. Companies are required to pay provisional tax accompany tax file received.

Penalties – A fixed penalty of 2.5% per month is imposed for late filing. Rulings- Rulings are available to interpret the law.

Personal taxation:

Basis – Resident individuals are subject to income tax on their worldwide income.

Nonresident individuals are taxed only on their Iran-source income. Some types of income (rent, salary, interest, inheritance, incidental and ...) are subject to a special

defense contribution at the rates of 15%, 20%, 25%, 30% and 35%, respectively.

Residence-An individual is resident in Iran if he/she stays in Iran for a period or periods exceeding in the aggregate 183 days in the tax year. **Filing status** – Each individual is assessed on a separate basis. Joint assessment for couples is not possible.

Taxable income- Personal income tax is imposed on business profits, income from an office or employment, discounts, pensions, charges or annuities, rents, royalties, remuneration or other profits from property and net consideration in respect of trade goodwill. Expenses incurred for the production of income are tax deductible.

Capital gains – See under "Corporate taxation".

Deductions and allowances – The most important personal deductions are: donations to approved charities; social insurance fund contributions (and similar contributions paid abroad); life insurance premiums; pension plan contributions; and medical fund contributions.

Rates – The first IRR 50,000,000 is tax free with progressive tax rates imposed up to 35% on remaining amounts.

Other taxes on individuals:

Capital duty – No

Stamp duty – See under "Corporate taxation".

Capital acquisitions tax – No

Real property tax – See under "Corporate taxation".

Inheritance/estate tax – If as a result of a person's death, whether actual or presumptive, any estate is left from him, it shall be imposed where the decedent or the heir or both of them or Iranians and reside in Iran,

the tax shall be imposed, and Where both the decedent and the heirs are Iranian nationals domiciled abroad.

In the case of foreign nationals as well as in other cases, any part of the deceased person's properties and property rights that are situated in Iran shall entirely be subject to taxation at the rates provided in the Article 20 of the present Act in respect of the heirs of second class.

Net wealth/net worth tax – No

Social security – Employees are required to make social insurance contributions at a rate of 7% of their salary, up to a maximum amount of EUR 1423. Self-employed individuals contribute at 7%. The contribution is calculated on notional income, which varies according to the trade or profession.

Unemployment tax: No

Residence Rules: All the national of countries with double taxation are considered to be resident of Iran for tax propose if their reside in Iran more than 183 days per each year.

Administration and compliance:

Tax year – Calendar year

Filing and payment – Tax on employment income is withheld by the employer under the PAYE system and remitted to the tax authorities. Self-employed individuals pay tax through the provisional and self-assessment systems. Tax returns must be filed by 31 Tir (July 22) following the tax year for employees; for self-employed persons who are not required to file audited accounts and self-employed persons whose returns are accompanied by audited accounts.

Penalties- See under "Corporate taxation".

Value added tax:

Taxable transactions – VAT is levied on the sale of goods, the provision of services and the import of goods from outside the Iran.

Rate – The standard rate is 3%

Registration – The registration threshold for VAT purposes is EUR 230,800.

Filing and payment – The deadline for submission of quarterly VAT returns is the 15th after the second month following the relevant period. Payments of VAT must be made by the same date.

Source of tax law: Direct Income Tax Law, Special Defense Contribution Law , VAT Law

Tax treaties: Iran has concluded more than 40 tax treaties as Germany, France, Armenia, SouthAfrica, Kazakhstan, Turkmenistan, Lebanon, Georgia, and Ukrain, Belarus Syria,SriLanka,Russia,China,Switze rland,Pakistan,Austria,Uzbekistan,T urkey,Tunis,Kyrgyzstan,Spain,Pola nd,Bulgaria,Venezuela,Bahrain,Jord on,Malaysia,Croatia,Bosnia&Herze govi,Qatar,Indonesia,Tajikistan,Ko wait,Zimbabwe,Indonesia,Malsia,Ro mania,Sudan,Oman,Algeria

Books of Account

Both the public and private joint stock companies are required to maintain in the Persian language the journal, ledger, inventory and copy book of merchants. These books serve as the basis for determining the company's tax liability and failure to keep them strictly in accordance with the legal

requirements may result in the tax authorities making their own determination of what the company's tax liability should be.

Statutory Inspectors (Auditors)

The law requires the election, by the shareholders, of a statutory inspector and alternate inspector once a year at the ordinary general meeting. The election of more than one inspector and alternate inspector is optional. In general, the function of the inspector is to serve as a watchdog over shareholders and third parties interests and he may be prosecuted criminally for violation of his duties. Certain categories of persons such as criminals, the directors and their relatives, and persons doing business with the company are disqualified from serving in this post. Among other things, the inspector is required to submit a report of the ordinary general meeting each year.

Tax authorities: Iranian National Tax administration.

Free Zone:

Iran has several industrial & trade free zone that are tax exemption for 15 years .

Tax sources in Iran:

www.intamedia.ir

www.iacpa.ir

www.worldwide-tax.com/iran

www.vat.ir

www.dayarayan.net