

**Islamic Republic of Iran  
Ministry of Economic Affairs and Finance  
Organization for Investment, Economic  
and Technical Assistance of Iran (OIETAI)**

**Extracts  
from  
Iranian Tax Code**

## **TITLE A - TAXABLE PERSONS**

**Article 1:** The following persons shall be subject to taxation:

(1) all the owners - whether natural or juridical persons with regard to their personal and real properties located in Iran, in conformity with the provisions of the Title B;

(2) every Iranian real person residing in Iran, on all his incomes earned in Iran or abroad;

(3) every Iranian real person residing abroad, on all his incomes earned-in Iran;

(4) every Iranian juridical person with respect to all its incomes earned in Iran or abroad; and

(5) every non-Iranian person (whether real or juridical) with regard to his/its incomes earned in Iran, as well as in respect of the incomes derived by such person from Iranian sources for granting of licenses and other rights, or for the provision of training and technical assistance and also for the transfer of cinematographic films (whether the latter income is received as the price, or the fee for the screening, of the films, or under any other titles).

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### **Chapter II - Tax on income from agriculture**

**Article 81:** The income derived from all activities in the field of agriculture; animal rearing; stockbreeding; fish farming; bee-keeping; poultry, husbandry; hunting and fishing; sericulture; revival of pastures and forests, horticulture of any type of palm trees, is exempt from payment of taxes.

### Chapter III - Tax on salary income

**Article 82:** The income of a real person employed by another (real or juridical) person, that is derived against services rendered by him with regard to his occupation in Iran, whether on basis of the time spent or the work done, and whether paid in cash or non-cash form, shall be subject to tax on salary income.

**Note:** Salary income derived from Iranian sources by individuals during their mission abroad (remitted either by the government of the Islamic Republic of Iran or by persons residing in Iran) shall be subject to tax on salary income.

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**Article 91:** The salary income shall be exempt from taxation in the following cases:

(1) heads and members of foreign diplomatic missions in Iran and heads and members of the extraordinary delegations of foreign states with regard to the salary income received by them from their superior governments subject to reciprocal treatment, and also the heads and members of delegations of the United Nations Organization and its specialized agencies in Iran in respect of the salary income received by them from the said organization and agencies, provided that they are not nationals of the Islamic Republic of Iran;

(2) heads and members of foreign consular missions in Iran and also the staff of the cultural institutions of foreign states with regard to the salary income received by them from their respective governments, subject to reciprocal treatment;

(3) foreign experts sent to Iran with the consent of the government of the Islamic Republic of Iran under technical, economic, scientific and cultural gratuitous assistance programs of foreign states or international institutions, with regard to the salaries received by such experts from their respective governments or the said international institutions;

(4) local employees of the Islamic Republic of Iran's embassies, consulates and missions abroad in connection with the salary income received by them from the government of the Islamic Republic of Iran, provided that they are not citizens of the Islamic Republic of Iran and subject to reciprocal treatment;

(5) retirement pension, survivors pension, regular annuities, termination of employment payments, dismissal compensation, payments for buying-out of services, pensions and annuities paid to the heirs, service term allowance and the salary of the period of unused leave payable to salary receivers at the time of becoming retired or disabled.

(6) Service-related travel expenditure and allowance.

(7) deleted.

(8) accommodation provided on site of the factory or workshop for the benefit of workers and low price employer provided houses outside the factory or workshop that are used by workers.

(9) compensation received from insurers with regard to physical injury, medical treatment, and the like;

(10) New Year bonus or year-end bonus up to one twelfth of the tax exemption envisaged under the Article 84 of this Act.

employer-provided houses put at the disposal of civil servants by virtue of a legal, permission or according to special regulations.

(12) payments made by the employer, directly or through the relevant employee, to a physician or hospital for the treatment of his employees and persons who are dependent on them, where such payments are substantiated by demonstrative evidence and documents;

(13) non-cash benefits paid to employees up to two twelfths of tax exemption of the Article 84 hereof at maximum.

(14) salary income of the members of the armed forces of the Islamic Republic of Iran, whether belonging to the military or disciplinary branches, and the salary of employees subject to the employment law of the Intelligence Ministry, and also the

salary income of invalids of Islamic revolution and imposed war and freed prisoners of war.

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## Chapter V - Tax on the income of juridical persons

**Article 105:** 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 Act.

*Note (1)* with regard to the Iranian noncommercial juridical persons that are not established for distribution of profits, should they engage in profit-making activities, the total taxable income derived from such activities shall be taxed at the rate set forth in the present Article.

*Note (2)* Foreign juridical persons and entities residing abroad, except those subject to the Note 5 of the Article 109 or Article 113 hereof, shall be taxed on the rate set forth in this Article in respect of the aggregate taxable income derived from the operation of their investment in Iran or from the activities performed by them, directly or through the agencies like branches, representatives, agents and the like, in Iran, and also with regard to the income received by such persons and entities from Iran for granting of licenses and other rights, or for transfer of technology or provision of training and technical assistance and cinematographic films. The representatives of such foreign persons and enterprises in Iran shall be subject to taxation, according to the provisions of this Act, with respect to the income they may earn under any titles in their own account.

*Note (3):* At the time of computation of the income tax of juridical persons, whether Iranian or foreign, the pre-paid taxes shall be deducted from the applicable tax according to the

pertinent regulations and any overpaid amount shall be refundable.

**Note, (4):** The persons, whether real or juridical, shall not be subject to any other taxes on the dividends or partnership profits they may receive from the capital recipient companies.

**Note (5):** In cases where according to the enacted laws some payments other than income tax are to be collected on basis of taxable income, the tax of relevant taxpayers shall be computed at prescribed rates after deduction of such non tax charges.

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**Article 107:** The taxable income of foreign juridical persons and enterprises residing abroad shall be assessed as follows:

(a) In case of contracting business in Iran with regard to all types of work in the fields of construction, installations and technical installations, including procurement and setting up of the same, and also in the fields of transportation, preparation of design for buildings and installations, topography, supervision and technical calculations, provision of drawing, training and technical assistance, transfer of technology and other services, the taxable income in all cases will be 12% of total annual receipts.

(b) In case of income derived from Iran for granting of licenses and other rights or transfer of cinematographic films-, whether the latter income is received as the price or the fee for the screening of the films, or under any other titles, the taxable income shall consist of 20% to 40% of all payments received by them during a tax year. The applicable coefficients for determination of taxable income in each of the cases mentioned in this paragraph shall be determined on basis of the proposal of the Ministry of Economic Affairs and Finance and approval of the Council of Ministers.

Those making the said payments or the payments mentioned in the paragraph "a" of this article, shall be required to withhold, from each payment, the applicable tax by taking into account the

total payments made from the beginning of the year up to the date of each relevant payment. They should remit the withheld amounts, within ten days, to the tax affairs office local to their residence. Otherwise, the receivers shall be jointly and severally liable for payment of the basic tax and other payments related thereto.

(c) As for the operation of capital and other activities performed by the aforesaid legal persons and enterprises in Iran through the agencies such as branches, representatives, agents and the like, the regulation of the Article 106 of this Act shall apply.

**Note (1)** In cases where the contract operations subject to paragraphs (a) and (b) of this article are wholly or partly assigned to Iranian legal entities as contractors, those making payments to such Iranian contractors should withhold 2.5% of each payment as their on account tax and remit it, within thirty days from the date of payment, to the account to be determined by the State Organization of Tax Affairs.

**Note (2)** If the relevant employer of the contract subject to the paragraph (a) of this article is a ministry, a government institution, a state company or a municipality, then that part of the contract price which is used for purchase of supplies and equipment from domestic or foreign sources shall be exempt from taxation, provided the amounts relevant to those supplies and equipment are included, apart from other items, in the contract or in its further amendments or supplements.

**Note (3):** Branches and agents of foreign companies and banks in Iran that are engaged in gathering information or finding markets in Iran for their parent entities; without having the right to make transactions, and receive remuneration from them against their expenditures, shall not be subject to taxation in respect of such remuneration.

**Note (4)** In cases where foreign contractors assign, wholly or partly, the contract subject to the paragraph (a) of this article to Iranian legal entities as subcontractors, any part of the receipts of the main contractor in respect of the supplies and

equipment that are mentioned in the first hand contract but purchased by the subcontractor, will be exempt from taxation.

**Note (5):** The taxable income of the activities subject to the paragraph (a) of the Article 107 hereof, the contracts of which will be concluded from the beginning of the year 1382 onwards, shall be assessed according to the regulations of the Article 106 of this Act. The rule of this Note shall not apply to the remaining part of the activities of the contracts concluded before the year 1382.

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**Article 131:** The rates of income tax of real persons, except where separate rates are provided under the present Act, shall be as follows:

Annual Taxable Income			Rates	Of the excess over
Upto	IRR	30,000,000	15%	
Upto	IRR	100,000,000	20%	IRR 30,000,000
Upto	IRR	250,000,000	25%	IRR 100,000,000
Upto	IRR	1,000,000,000	30%	IRR 250,000,000
Over	IRR	1,000,000,000	35%	IRR 1,000,000,000

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## TITLE D – ON MISCELLANEOUS PROVISIONS

### Chapter I - Exemptions

**Article 132:** 80% of the income -from producing and mining activities, which is derived and declared by producing and mining enterprises of cooperative or private sectors for whom exploitation licenses are issued, or with whom extraction and sale contracts are concluded, from the beginning of the year 1381 onwards by relevant ministries, shall be exempt from the tax set forth in the Article 105 hereof for a term of 4 years



beginning from the date of exploitation or extraction. As regards the less developed regions, the exemption shall apply to 100% of the income for a term of 10 years.

*Note (1):* The list of less developed regions shall be prepared by the State Organization of Management and Planning and ministries of Economic Affairs and Finance and Industries and Mines, and Will be approved by the Council of Ministers, for the rest of the term of the third economic, social and cultural development plan of the Islamic Republic of Iran, and also at the beginning of the term of each of the forthcoming development plans.

*Note (2):* The exemption provided under this Article shall not apply to the income of producing and mining units established within a 120-kilometer radius from the center of Tehran or within 50-kilometer radius from the center of Isfahan and also within a 30-kilometers radius from the administrative centers of provinces and cities with a population of more than 300,000, according to the latest census, except for industrial townships established within the same 30kilomenres radius from the latter province centers and cities.

*Note (3):* All enterprises for internal and international tourism that hold exploitation permit from the Ministry of Culture and Islamic Guidance shall enjoy an annual exemption with regard to 50% of their applicable taxes.

*Note (4):* The rules for determining the date of commencement of exploitation of exempt enterprises subject to this article, and also for determination of the confines referred to in the Note 2 above, will be specified and declared by the ministries of Economic Affairs and Finance and Industries and Mines.

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### **Article 138:**

Any part of the declared profit of private and cooperative companies that is used in the same year for development, reconstruction, renovation or completion of existing industrial or

mining units of those companies, or for setting up of new industrial or mining units, shall be exempt from 50% Of the applicable tax set forth in the Article 105 of this Act, provided the permission for development or completion, or for establishment of new industrial and mining units, in context of specific investment projects, is obtained from relevant ministries before-hand. In case the expenses incurred in each year for implementation of the said project of projects exceed the declared profit of the same year, or if it is less than the cost of the investment project, the company can benefit from the said exemption, up to the aforesaid excess or the balance of the cost of full implementation of the project, when computing the income to be declared for subsequent three years at maximum.

*Note (1):* Should the company stop the project before being completed, or fail to start the exploitation phase within one year from the deadline set forth in the investment project, or if it would terminate, liquidate or transfer the same within five years from the date of commencement of exploitation, then a sum equal to the exemptions provided in this article for implementation of the project plus the fines of the Article 190 hereof will be collected from the company.

*Note (2):* The new industrial units established by taking benefit from the exemptions mentioned in this Article shall not be entitled to the tax exemptions provided under the Article 132 of the present Act.

*Note (3):* If the factories that are located within the watershed basin of Tehran and their employees are not less than 50, move their total installations outside a 120-kilomeiief radius of the center of Tehran, then they shall be exempt according to the criteria to be determined by the Ministry of the Economic Affairs and Finance and the respective ministry, as the case may require - from income tax on their relevant industrial activities for years, beginning from the date of exploitation, in such new location would start.

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**Article 141:**

**A.** 100% of the income derived from exportation of industrial finished goods and products of agricultural sector (including farming, horticulture, husbandry, poultry, fishery, forest and pasture products) and its conversional and complementary industries, and also 50% of the income earned from exportation of other goods that are exported for achieving the objectives of the exportation of non-oil goods, shall be exempt from taxation. A list of goods subject to this Article shall be proposed, in the course of the term of each development plan, by the ministries of Economic Affairs and Finance, Commerce, Agriculture and Construction Jihad and industrial ministries, and shall be approved by the Council of Ministers.

**B.** 100% of the income derived from exportation of different goods that have been, or will be, imported to Iran on transit, and are exported without making any changes in the substance thereof, or doing any works on them, shall be exempt from taxation.

**Note:** The loss from export of tax-exempted goods sustained by the persons engaged in other non-export activities as well, shall not be taken into account in computation of the tax applicable to such other activities.

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**Article 143:** 10% of the tax of companies whose shares' are accepted, according to the relevant law, by the Acceptance Board for negotiation in the stock exchange, will be spared as from the year of acceptance and so long as such shares are not removed from the rate list of the stock exchange, provided that all transfers are made through the stock market agents and registered in the relevant books.

**Note (1):** Each transfer of companies' shares and priority right of shares, and also transactions on other securities, through the stock market shall be taxed at a flat rate of 0.5% of the sale value of the shares and priority rights of shares, and no other

taxes will be charged as income tax on transfer of shares and priority right of shares.

Stock market agents are required to collect, upon each transfer, the aforesaid tax from the transferor and remit it to the account determined by the State Organization of Tax Affairs, and to send the receipt thereof, together with a list containing the number and sale price of transferred shares and priority rights of shares, to the local tax affairs office within ten days from the date of the transfer.

**Note (2):** Each transfer of stocks, partnership shares, priority right of stocks and partnership share of partners in other companies shall be subject to tax at a flat rate of 4% applicable to their face value. In these cases no other taxes will be charged -as income tax on such transfers. Those transferring stocks, partnership shares and priority right of shares are required to remit the applicable taxes to the account of the State Organization of Tax Affairs before the transfer would take place.

The registration departments or notaries public should receive, at the time of registration of changes or drawing up the transfer deeds, as the case may be, the certificate of payment of the applicable tax and enclose it to the file of registration or transfer.

**Note (3):** The premium reserve of joint stock companies accepted to the stock market shall be subject to tax at a flat rate of 0.5% and no other taxes will be charged, on this income. The companies are required to remit the tax to the account of the State Organization of Tax Affairs within thirty days from the date of registration of the capital increase.