

DIRECT TAXATION ACT

Book I — Persons Liable to Taxation

Article 1: The following shall be liable to the payment of income tax:

1. All proprietors, both natural persons and legal entities, in respect of their property and estate in Iran, according to the regulations of Book II hereof.
2. Every natural person, of Iranian nationality, residing in Iran, in respect of all his income earned in Iran or abroad.
3. Every natural person, of Iranian nationality, residing abroad, in respect of all his income earned in Iran.
4. Every juridical entity of Iranian nationality, in respect of all her income earned in Iran or abroad.
5. Every non-Iranian person (both natural and juridical), in respect of the income earned in Iran as well as in respect of the income collected from Iran, pursuant to the grant of a license or other rights, providing training and technical assistance and/or transfer of movie films (paid in the form of staging fees or under any other titles).

Article 2: The following juridical entities shall not be liable to the payment of income tax prescribed herein:

1. The ministries and government institutes
2. The organizations and bodies whose budget shall be provided by the government.
3. The municipalities

Note 1: Concerning the companies whose capital shall totally or partially be owned by the juridical entities and/or the institutes mentioned above, their share of the income or profit shall not be subject to the provisions made in Article 2 above. However, the provisions made in the present Note shall not deny such companies the exemptions prescribed in the present Act, as the case maybe.

Note 2: The income which shall be earned by the legal entities mentioned in Article 2 above, through economic activities and operations including industrial, mine, commercial, trade, services and other industrial production activities, as a result of the activities other than the ones described in the company's objectives, shall be taxable at the rate stipulated in Article 105 of the present Act, as the case may be. 'The officials and authorities in charge of such affairs shall be duty-bound, under the circumstances mentioned above, to discharge the relevant duties and obligations as per the provisions made in the present Act. Otherwise, such officials and the taxpayers concerned shall jointly be responsible to pay the applicable taxes.

Note 3: As for the cases already authorized by tile Late Imam Khomeini or the Supreme Leader of Islamic Republic of Iran, the tax exemptions prescribed in Article 2 above shall be approved and confirmed by the Supreme Leader of IRI.

Book II — Tax on Property

Chapter 1: Annual Tax on Real Estate

Articles 3 to 9: Deleted.

Chapter 2: Tax on Uninhibited Housing Real Estate

Articles 10 and 11: Deleted.

Chapter 3: Tax on Undeveloped Lands

Articles 12 to 16: Deleted.

Chapter 4: Inheritance Tax

Article 17: Property left after the death, actual or presumed, of a person shall be liable to taxation in the following manner:

1. If the deceased or heirs, or both of them shall be Iranian nationals domiciled in Iran, in respect of the inheritance Portion of any one of the heirs in the property liable to inheritance tax (described in Article 19 below) existing in Iran or abroad, after deduction of the death duty paid on the property to the Foreign government where the property exists, at the rates specified under Article 20 below.
2. If both the deceased and the heirs shall be Iranian nationals domiciled abroad, the rates for the inheritance portion of any one of the heirs in that part of the estate and financial rights existing in Iran shall be twenty live percent (25%), after deducting the death duty paid to the government of the country where the property exists.
3. In the case of foreign nationals and all other cases, in respect of the part of the estate and financial rights existing in Iran, the rates shall generally be the ones specified in Article 20 below for heirs of second degree.

Article 18: For the purpose of the present Act, the heirs shall be divided into three categories as follows:

1. Heirs of' first degree, namely: father, mother, wife, husband, children and grandchildren.
2. Heirs of the second degree, namely: grandparents, brothers, sisters and their children.
3. Heirs of third degree, namely: paternal and maternal uncles, paternal and maternal aunts and their children.

Article 19: The property liable to death duty shall consist of the whole of the estate of the deceased existing in Iran or abroad, including both movable and immovable properties, accounts receivable, and financial rights after deducting therefrom the funeral and burial costs within the limits of common practice, financial precepts, and overdue worships

within the limits of the Rules of the Holy Shari'a and the established debts of the deceased.

Note: The debts of a deceased to his/her heirs shall be deductible from the property left, in case such debts shall be supported by legal documents and shall be confirmed by the Board of Settlement of Tax Disputes (BSTD). The confirmation of BSTD shall not be required in case of wife's alimony and marriage-portion (Mahr). Deducting debts from the estate left to the heirs of second and third degree may be possible only in case the deceased had the heirs of preceding degree until his/her death, as the case may be.

Article 20: The inheritance tax rates, proportionate with the inheritance portion, shall be as follows:

Amount	1 st Degree	2 nd Degree	3 rd Degree
Up to Rls.50,000,000	5%	15%	35%
Up to Rls.200,000,000 in proportion to the amount exceeding Rls.50,000,000	15%	25%	45%
Up to Rls.500,000,000 in proportion to the amount exceeding Rls.200,000,000	25%	35%	55%
For the amounts exceeding Rls.500,000,000	35%	45%	65%

Out of the inheritance allocated to each and every heir of the first degree, Rls.30,000,000 shall be tax exempt, and the amounts in excess of that shall be liable to taxation at the rates mentioned above. The tax exemption on inheritance portion of any one of the heirs of the first degree who shall be under the age of 20, or who may be incapacitated, disabled or incapable shall be increased to Rls.50,000,000.

Article 21: Any property which may be left as heir after the death of a person and which may be expropriated by virtue of special laws or judgments and which shall be given to the control of ministries, government organizations, municipalities, Islamic Revolution institutions, or the companies 100% of whose shares are owned by the government, within one year after final assessment of the taxes, shall not be subject to inheritance tax. However, if any compensation shall be paid in lieu of such expropriation, the value of the compensation or that of expropriated properties, whichever shall be less, shall be subject to taxation, and accordingly any excessive amount collected as taxes shall be refunded. The provisions made in the present Article 21 shall also apply to the cases where the heirs shall gratuitously transfer the whole or any part of the property, left as inheritance, to any of the juridical entities mentioned in Article 2 of the present Act.

Article 22: Amounts due to the deceased may be considered to be not collectible at the discretion of BSTD. The taxes collected in respect of any such dues shall be returned to the heirs. Should any such claims be collected, the heirs shall be liable to pay the applicable taxes. The Ministry of Economy and Finance shall be authorized, at all instances, to participate in the legal proceedings pertaining to realization of the above said claims or directly institute the claims.

Article 23: Deleted.

Article 24: The following properties shall be exempt from taxes provided under the present Chapter 4:

1. Amounts in respect of pension, stipend, savings in connection with service, service severance benefits, claims relevant to dismissal damages, severance pay, unutilized due leave, social insurance as well as any amounts paid by insurance companies, underwriters and/or employers such as life insurance benefits, death compensation, blood money and the like, as the case may be, which may be paid to the heirs in a lump—sum or continuously.
2. Moveable property belonging to those liable to the provisions made in Clause (4) of Article 39 of the Vienna Convention signed in April 1969, and Article 51 of Vienna Convention signed in May 1963 (Ordibehesht 1342) and Clause (4) of Article 38 of the Vienna Convention signed in March 1974 (Esfand 1353), in conformity with the provisions of the said Conventions and conditional upon reciprocal treatment.
3. Properties endowed, donated or entailed for the organizations and/or institutes described in Article 2 of the present Act, provided that the facts and circumstances in this regard shall be confirmed by the said organizations and/or institutes.
4. 80% of a deceased person's contribution bonds and deposits made with Iranian banks or their branches abroad or with the authorized non- bank credit institutes, and also 50% of the value of the deceased person's stocks in the companies whose stocks have been accepted in the Stock Exchange, in conformity with the relevant laws and regulations, and 40% of the value of the deceased person's stocks or shares in other companies, and 40% of the net value of the deceased Person's properties in production, industrial, mine and agricultural entities.

Article 25: Heirs of first and second degree in respect of the properties of martyrs of the Islamic Revolution shall not be subject to heritage duty set forth under this Chapter.

The martyrdom, for the purposes of this Article, shall be confirmed by any one of the Islamic Republic of Iran's Armed Forces or Martyrs Foundation of Islamic Revolution, as the case may be.

Article 26: The heirs (individually or collectively) or their guardian, trustee or legal representative shall, within six months after the date of the decease, file a tax declaration on a form drawn up by the State Taxation Affairs Organization, in which the price of the property on the date of death of the deceased as well as the credits and liabilities which are to be calculated under the provisions of this Chapter should be given. The said declaration, together with following documents, shall be submitted to the competent Tax Office against receipt.

1. Certified copies or photocopies of documents covering the credits and liabilities of the deceased.
2. Certified copies or photocopies of all documents indicating the deceased's title to the property and financial rights.
3. A certified Power of Attorney or a certified copy of the Letter of Guardianship in cases where the tax declaration shall be submitted by the attorney, guardian, or father.

4. Certified copy or photocopy of the last will made by the deceased, if any.

Note: Submission of the declaration by one of the heirs will relieve the other heirs from their responsibility in this connection.

Article 27: The Taxation Affairs Administration, competent to deal with inheritance tax in respect of the deceased shall be the one in whose area of jurisdiction the last domicile of the deceased was situated. If the deceased was not domiciled in Iran, the Taxation Affairs Administration in Tehran shall have competence to receive the declaration.

Note: Domicile, for the purpose of this Act, shall be subject to the definition made therefor in the Civil Code of Iran.

Article 28: The persons liable to tax, as provided for under the present Chapter 4, shall be required to pay, against receipt, their applicable tax on account and on the basis of the tax declaration, not later than 3 months after expiry of the respite laid down for the production and submission of the tax declaration.

Note: The Taxation Affairs Administration shall be required, after verification of the declaration, finalization of the tax amount and its due payment, to issue to the individual interested, a tax settlement certificate, within but not later than one week, in conformity with the provisions made in the present Act.

Article 29: The State Taxation Affairs Organization shall be under the obligation to set up a Central Office of Inheritance in Tehran for proper implementation of the regulations pertaining to inheritance. The Taxation Affairs Administrations shall be obligated to send all declarations they receive to the said Office within one (1) week after submission. The Central Office of Inheritance shall register and seal (stamp) the declaration and shall return them to the relevant Taxation Affairs Administration within one (1) month for subsequent legal actions.

In cases where several declarations shall be received for one deceased, the Central Office of Inheritance shall send the declarations to the Taxation Affairs Administration which has sent the first declaration and shall inform the other Administrations accordingly.

Article 30: The Taxation Affairs Administration shall examine the declarations submitted by taxpayers, in compliance with the provisions made in the present Chapter 4, and shall, after having evaluated the property concerned, act as follows:

- a. In cases where the difference between the total value of the estate declared in the declaration and the value assessed by the Taxation Affairs Administration shall not register more than 15%, the said Administration shall consider the declaration as final and shall accordingly inform the taxpayers within 6 months.
- b. In cases where the discrepancy between the above two figures shall register more than 15%, or if the heirs or their legal representatives as well as other persons who shall be required to submit tax declarations under the provisions of the present Act, shall fail to do so, or if they fail to list a part of the property items, the said Administration shall assess the applicable tax, in conformity with the provisions made in the present Act and shall duly inform the taxpayer.

Note: if the heirs shall fail to submit the items of property to the Taxation Affairs Administration, within one (1) month after the date of the written notice of the

Administration, the said Administration shall proceed to directly assess the value of the property.

Article 31: The Tax Affairs Administration shall, after submission of the tax declaration by the heirs or their legal representative, and upon their written application, issue and hand over to the taxpayer, within one (1) week, a certificate containing a certified copy of the items of the property stated in the declaration. Such certificate shall be valid only for the purpose of issuance of a Probate. The courts shall be authorized to accept an application (plaint) for issuance of probate only in case the certificate set forth in this Article shall be submitted to the court. The managers of offices of the courts in charge of issuance of probate certificate shall be obligated to send a certified copy of the probates they issue to the local Taxation Affairs Administration within fifteen (15) days after the date of issue.

Article 32: The basis of evaluation of real estate, both the land and the buildings, shall be the transactional value of the property at the time of death, in conformity with the provisions made in Note 1 under Article 59 of the present Act. However, the basis of evaluation of the price of other assets and financial rights of the deceased, shall be the value of such assets and rights at the time of death.

Note 1: The furniture of the deceased at his residence shall not be considered as inheritance for tax purpose.

Note 2: The transactional value shall not be considered as the basis for calculating the taxes applicable to the buildings which have extraordinary prices due to either their construction materials or the type of architecture. The Taxation Affairs Administration shall be required to seek the opinion of experts for evaluation of the said buildings as well as jewelry and antiquities.

Note 3: In cases where the profits earned from a property shall be endowed, willed, entailed, donated or allocated for a benevolent purpose, and after a certain period of time the original property shall be returned to the heirs, the value of the property so endowed, willed, entailed, donated or allocated, assessed as on the date of death of the deceased, with due consideration that such property cannot be utilized by heirs for a certain period of time, shall be added to the inheritance portion of the heirs who shall receive the property and shall be taxed accordingly.

Note 4: The rights arising from the lease contracts concluded with banks on condition of transfer of ownership, in respect of the land and superstructure over the real estates, shall be assessed on the basis of their transactional value prevailing at the time of death of the deceased.

Article 33: Iranian consular officials abroad shall, within three months from the date of receiving information on the death of Iranian subjects, report to the Ministry of Economy and Finance through the Ministry of Foreign Affairs all information pertaining to the deceased's estate existing abroad (both movable and immovable property) giving the details and values of all items.

Note: The executive by-laws of above Article 33 shall be prepared by Ministry of Economy and Finance and the Ministry of Foreign Affairs and shall be approved by the Council of Ministers.

Article 34: Banks, companies, firms and individuals who hold property belonging to the deceased, shall be required. to prepare, within one (1) month after the date they shall receive the information concerning the death, an inventory of the property held by them., including cash, notes, jewels, stocks, shares, and contributions to capitals and submit the list to the local Taxation Affairs Administration. They shall also be required to place the necessary books and documents at the disposal of the Taxation Affairs Administration for their examination, whenever they demand them.

Article 35: The Registrars of Deeds and Property, when registering an immovable property in the name of heirs or legatees, as well as all notaries public. when registering an agreement concerning the partition of estates or any transactions by the heirs in respect of the estates, shall demand a certificate from the competent Taxation Affairs Administration to the effect that the applicable tax has totally been paid or that the required security has been deposited or that the necessary arrangement has been made for payment thereof, and shall not register such transfers or Partitions before the said certificate shall be produced and presented to them.

Article 36: Banks, companies, institutes and individuals who hold cash, promissory notes, jewels, shares, contributions to capitals, or any other type of property which already belonged to the deceased shall not be authorized to deliver to the heirs or the executor/administrator, as the case may be, or register them in their names unless the certificate mentioned in the latter part of Article 35 of the present Act shall be presented.

Article 37: If by virtue of court orders/judgments a property shall be transferred to the heirs arising from the financial rights of the deceased, the clerk of the court shall send a copy of the court order/judgment to the Taxation Affairs Administration, enabling the latter to demand the applicable tax, if not already collected. The same shall also apply to the fresh evidences and documentation concerning the assets of the deceased. However, if fresh documents and evidences shall be discovered, after finalization of the applicable taxes, demonstrating that the deceased was indebted or that the property did not belong to the deceased, which shall affect the calculation of the inheritance tax, the file shall be sent to the Board of Settlement of Tax Disputes for the proper course of action.

Article 38: The property transferred through endowment, will, entailment or donation shall be taxed in the following manner except for cases of exemption described under Sub-clause 3 of Article 24 and the cases falling under the chapter pertaining to windfall earnings:

- a. In the case of endowment and entailment, the profit derived from the estate in each year shall be taxed according to Article 131 of this Act.
- b. In the case of donation and will, should the profits derived from the estate be the subject of donation or will, action shall be taken according to Clause (a) above, and should the estate be the subject of donation or will, the value of the estate shall be assessed according to the provisions of this Chapter and the whole of such value shall be taxed at the--rates provided for heirs of second degree.

Note 1: Property subject to a will shall be liable to taxation only when the will shall become effective as a result of the death of the testator.

Note 2: In the case of endowment, entailment or donation, or will, the Taxation Affairs Administration which shall be considered competent to deal with Inheritance Tax shall be the one in whose area of jurisdiction the domicile of the custodian, entailer, donator, or executor is situated; and if such persons were not domiciled in Iran, the competent Taxation Affairs Administration shall be the one in Tehran.

Note 3: Notaries-public, registrar of deeds, courts of justice, Hadj, Endowment and Benevolence Organization, and the Guardianship Office, as well as the banks and other organizations shall not be authorized to execute a will unless a certificate shall be produced from the local Taxation Affairs Administration concerned to the effect that the will has been submitted to the competent Taxation Affairs Administration by the executor or the heirs.

Article 39: The custodian in respect of endowment, the entailer or the donator in respect of entailment or oblation and the executor in respect of wills shall, within three months after the date of death of the deceased, or signature of the contract, file against receipt a tax declaration with the local Taxation Affairs Administration on a form drawn up by the State Taxation Affairs Organization in which the details and value of the property endowed, entailed, donated, or willed together with relevant documents and deeds shall be given. In cases where the issue shall be subject to Clause (a) of Article 38 of this Act, the taxes on annual profits shall be paid up to the end of the month of Tir (July 22) of the subsequent year end. Also, should the issue be subject to the latter part of Clause (b) of the said Article, the applicable taxes shall be paid within a maximum period of three (3) months after the expiry of the respite for submission of tax returns or benefit from the facilities provided through Articles 40 and 41 of this Act.

Note: In cases where the endowment, entailment, donation or will shall be subject to Clause (3) of Article 24 of this Act, or where the issue shall be subject to provisions of the chapter on windfall earnings, the custodian, entailer, donator, or executor, as the case may be, shall be obligated to file a tax declaration against receipt with the local Taxation Affairs Administration within three months after the date of signature of the contract or the death of the testator.

Article 40: If persons liable to tax under this Chapter shall be unable to pay all or part of their taxes, the State Taxation Affairs Organization shall be authorized to agree to payment by installment, against sufficient guarantee over a period not exceeding three (3) years from the date of finalization of the applicable tax. In case the heirs shall not be able to provide a guarantee or arrange payment by installment, they may then act according to Article 41 of this Act.

Article 41: The State Taxation Affairs Organization shall be authorized, with the written request of the heirs, to accept in lieu of the taxes, a movable or immovable property whose value shall be equal to amount of taxes from among the estate of the deceased as agreed upon by the heirs. The value of the property shall be determined on the same basis used for calculation of estate of the deceased.

Note: No taxes shall apply to transfer of a property to the Ministry of Economy and Finance in case a property shall be accepted in lieu of taxes.

Article 42: In cases where a factory, a manufacturing workshop or an agricultural unit shall be part of the estate, and the value of other assets left by the deceased shall be insufficient to cover the applicable inheritance tax, the State Taxation Affairs Organization shall, after collection of part of the tax from the rest of the assets, agree to the request made by the heirs for the payment of the taxes due by installment over a reasonable period. This provision shall also apply to payment of the entire tax where a factory or a manufacturing workshop or an agricultural unit shall be the only asset left by the deceased.

Article 43: If banks, companies, institutes or individuals holding property which belonged to the deceased violate the provisions made in Articles 34 and 36 of the present Act, they shall not only have joint liability with the heirs for payment of the taxes due and applicable penalties, but they shall also be liable to an additional fine equal to five percent (5%) of the property in question. The violator, his/her accomplices and those who assisted the violator shall also have joint liability vis-à-vis banks and government companies.

Chapter 5: Stamp Duty

Article 44: A stamp duty of Rls.200 (two hundred Rials) shall be collected on each sheet of check which shall be printed by banks.

Article 45: Stamp duty shall be collected at the rate of three per mill (0.003) from the following instruments:

- Bills of Exchange
- Promissory Notes and the like

Note: The stamp duty levied under Article 45 above on amounts of less than Rls. 1000 shall be equal to the stamp duty applicable to a sum of Rls. 1000.

Article 46: A stamp duty of RIs.5000 (five thousand Rials) shall be collected on every negotiable commercial instrument issued, negotiated or utilized in Iran (excluding the ones mentioned in Articles 45 and 48 of the present Act), the documents denoting title to merchandise such as marine and air bills of lading as well as merchandise insurance policies. The stamp duty collected on land bills of lading shall be equal to Rls.1000 (one thousand Rials). Transport companies shall be duty-bound to carefully prepare and draw up the bills of lading, registering the identity, particulars and the exact address of the owner(s) of merchandise as well as other relevant information. Further, they shall be required to maintain in sufficient number the copies of such papers and documents at least for five (5) years as of the date of their issuance.

Article 47: A stamp duty of Rls.10,000 (ten thousand rials) shall be collected on any contract or similar document mentioned below which may be concluded and entered into by and between banks and their clients or which may be undertaken by their clients, in case such documents shall not be registered with notaries-public.

Note: A stamp fee shall apply to the documents listed below at the following rates:

1. From certificate of exemption for military service, for whatever reason issued, the sum of Rls. 10,000.
2. For every international driving license the sum of Rls. 50,000.
3. For every transit plate of all vehicles and for plate of any vehicle which is imported on a temporary basis, the sum of Rls. 200,000.
4. For every driving license for each year of validity, the sum of Rls. 1,000.
5. For every completion certificate for primary, intermediary and secondary schools, the sum of Rls. 1,000.
6. For every college certificate and other higher education certificates, the sum of Rls. 10,000.
7. For evaluation of primary, intermediary and secondary school certificates, the sum of 20,000.
8. For evaluation of technical , professional and college certificates issued outside Iran, the sum of 50,000.
9. For midwifery certificate or BA certificates and certificate of acquired dentists, the sum of 20,000.
10. For certificate of physicians, dentists, semi-physicians, veteran and pharmacologist, the sum of Rls. 100,000.
11. For certificate of establishment and ID cards for manufacturing, mining, business, lawyers as well as ID or license for other professions, the sum of Rls. 100,000 for issue and Rls. 50,000 for extension.

Article 48: The shares and contributions of Iranian companies mentioned in the Commercial Code of Iran, excluding cooperatives companies shall be liable to the stamp duty at the rate of two per mill (0.002) of their face value. Amounts of less than Rls.100 shall be considered as Rls.100.

Note: The stamp duty on the shares and contributions of companies shall be paid by cancellation of stamps, within two (2) months from the date of legal registration of the company. However, in the case of increase in the capital of the company and additional shares, the applicable stamp duty shall be paid within two (2) months after the date of registration of increase in the capital with the Registrar of the Companies. The said stamp duty shall not be charged on the increased capital of those companies which have previously decreased their capital, to the extent that the relevant stamp duty has already been paid.

Article 49: If documents liable to stamp duty as provided for in Articles 45, 46, 47 and 48 shall be issued in Iran, the drawers shall affix thereon and cancel the prescribed stamps. Where such documents shall be issued abroad, the first person who shall take possession of the document in Iran shall act as mentioned above prior to signing them for any Purpose, whether as endorsing or for transacting, acceptance or payment. However, all institutes or persons who shall negotiate, receive, or pay such documents in Iran shall be jointly responsible for payment of the prescribed stamp duty.

Article 50: The Ministry of Economy and Finance shall be authorized to print and place at the disposal of applicants, promissory notes, bills of exchange, bills of lading and other documents liable to stamp duty. The said Ministry shall be authorized, whenever deemed appropriate, to collect stamp duty against tax receipt instead of affixing and canceling stamp.

Article 51: In the event of violation of the provisions of this Chapter, in addition to the prescribed stamp duty, an amount equal to twice the amount of the applicable stamp duties shall be imposed.

Book III — Income Tax

Chapter 1: Real Estate Income Tax

Article 52: The income earned, by any natural person or legal entity derived from transfer of rights in real estate in Iran, shall be liable to real estate income tax, with due regard to the exemptions provided for under the present Act.

Article 53: The taxable income in respect of the leased real estate shall consist of the total rent, both received in cash or in kind, subject to deduction of 25% to cover the expenses, costs, depreciation as well as the owner's obligations and undertakings relevant to the leased estate.

The taxable income in respect of primary lease of the estates under endowment or entailment/sequestration shall be calculated in conformity with the provisions set forth in the present Article 53.

In the case of mortgage transactions wherein the mortgager shall take possession of the property under mortgage, the mortgager shall be liable to taxation in conformity with the provisions made in the present Chapter.

In cases where the lessor shall not be the owner of the premises, the taxable income shall be equal to the difference between the rental the lessor shall receive and the amount he shall pay as the rental of the premises.

The provisions set forth in the present Article 53 shall not apply to the staff quarters owned by the legal entities, provided that the amount of applicable taxes shall be assessed in compliance with their statutory books.

Note 1: The place of residence (i.e. the houses) in which the owner's father, mother, spouse, child/children, grandparents or other dependents of the owner live, shall not be considered as the leased property, unless it shall be established by virtue of reliable documents or evidences that some rental is paid. In cases where several residential units shall be used by the owner and/or the individuals mentioned above, only one such residential unit for the owner and one for the said individuals separately, as chosen by the owner, shall be set aside as being exempt from taxation.

Note 2: The real estate put gratuitously at the disposal of the organizations and/or institutes mentioned in the present Act, shall not be considered as leased.

Note 3: For the purpose of income tax applicable to the real estate, each apartment (i.e. unit of residence) shall be considered as an independent and separate unit of property.

Note 4: As for the property which may be leased out with furniture or machinery, the income accrued as rent for the furniture or the machinery shall also be considered as part of the income, and shall accordingly be liable to the tax provided under this Chapter.

Note 5: Any additional structures constructed by the lessee on the leased premises to the advantage of the lessor under a mutual agreement, fifty percent of it shall be evaluated on the basis of the transactional value of such structures prevailing at the date the lessor shall assume title to such structure.

Note 6: The expenses which are required to be borne by the landlord, in conformity with either the relevant laws and regulations or the agreement, but which are defrayed by the tenant, and likewise the expenses which the tenant undertakes to incur under the agreement but are, according to custom and usage, the responsibility of the landlord, shall be assessed at the rates prevailing on the date such expenses shall be made, and the amount thereof shall be added as a non—pecuniary item to the total amount of the rental received in the year such expenses were incurred.

Note 7: In cases where the owner of a building which was constructed on a piece of leased land, shall totally or partially lease the property out, the rental shall be adjusted by deducting therefrom a reasonable portion for the land and the balance (remaining sum) shall be subject to taxation.

Note 8: In cases where a property which is used as the place of residence by the owner, shall be sold out and the transaction deed provide for a rent-free respite for evacuation of the property, such property used as the place of residence by the transferor (i.e. ex-owner) shall not be liable to taxation for a maximum period of six (6) months of the said respite. As for Conditional Sale Transactions the property shall not be considered tenementary so long as it shall be at the disposal of the buyer, except where it shall be established, on the basis of documents and evidences that a rental is paid.

Note 9: The ministries, government institutes and companies as well as the organizations and bodies whose budget shall, either totally or partially, be provided by the government, and the institutions of the Islamic Revolution, the municipalities, companies and institutes affiliated to them as well as other legal entities shall be required to deduct the tax, under the present Chapter, from the rental paid by them, and subsequently pay the same to the Taxation Affairs Administration where the property is located, and hand over the receipt to the lessor within ten (10) days.

Note 10: The residential units owned by housing companies which, on the basis of the documents and evidences, shall be handed over to buyers prior to the final transfer, shall not be considered leased during the period of occupation by the buyer. Accordingly, for taxation purpose, the buyer shall be considered as the owner and treated similarly, provided that the tax applicable to the final transfer, mentioned in Article 59 of the present Act, has already been paid, effect as of the date of occupation of such residential units.

Note 11: The owners of residential complexes, with more than three leased residential units, which were or shall be constructed in conformity with the “construction models” developed and proposed by the Ministry of Housing and Urban Development, shall be exempt from payment of 100% of income tax on leased property during the period such

residential units shall be leased. Otherwise, the income earned by any person out of lease of residential unit or units up to the total size of 150 net metres in Tehran and up to 200 net meters in other cities shall be exempt from estate tax.

Article 54: Rental shall be ascertained on the basis of the relevant notarial lease agreements; and where no notarial lease agreement shall exist or where the landlord shall refuse to submit the agreement or in cases where the lessor shall receive a sum as deposit or in any other account, the rental shall be assessed on the basis of rental for similar property. If a document shall come to hand later on evidencing that the actual rental of the property used to be more than the amount assessed as above, the difference in tax due shall be recoverable according to the terms hereof.

Note 1: Assessment of the rental on the basis of similar property shall be made by the Taxation Affairs Administration in whose jurisdiction the property stands.

Note 2: As of the beginning of Iranian year 1382 (March 21, 2003), the basis for calculation of the income liable to leased property tax shall be the rental which shall be determined and specified in the form of rental for one square meter of the real estates in the cities and villages, by the Real Estate Assessment Committee (REAC) mentioned in Article 64 of the present Act.

Article 55: In the case of proprietors who shall let their residential house or apartment on lease to others and who shall take some other house on lease or reside in a house provided by the employer, such amount of rental as they pay under notarial or private lease agreement, or the amount deducted on account of dwelling from the salary of such proprietors shall, when computing the amount of the taxable income derived from real estate, be deducted from the sum total of rent received by them.

Article 56: Deleted.

Article 57: In the case of natural persons who earn no income except rental, out of the total annual income which shall be subject to taxation, an amount equal to the salary tax exemption, mentioned in Article 84 of the present Act, shall be exempt from payment of tax. However, the balance shall be subject to taxation in conformity with the provisions made in the present Chapter. The natural persons subject to the present Article 57 shall submit the tax declarations, on special forms prepared by the State Taxation Affairs Organization, to the local Taxation Affairs Administration where the property stands and shall declare that they have no other source of income except the rental. The Taxation Affairs Administration of the location where the property stands, after having received the tax declaration, shall send same to the local Taxation Affairs Administration where the domicile of the taxpayer concerned is situated. In case it shall be established that the tax declaration of the taxpayer is false, the applicable taxes in addition to a fine equal in amount to 100% of the taxes shall be collected.

For the purposes of the present Article 57, the pension, retirement allowance, dividend, bank prizes and the interests paid by banks on the deposits shall not be considered as income.

Note 1: The provisions made in Article 57 above shall not apply to the minors under the guardianship of their father.

Note 2: In cases where other incomes of the taxpayer during one (1) month shall be less than the sums mentioned in Article 57 above, the portion of the rental income of the taxpayer concerned which shall be required to make up the above limit shall be exempt from taxation and the remaining sum shall be taxable in conformity with the provisions made in the present Chapter.

Article 58: Deleted.

Article 59: The income earned through the final and absolute transfer of real estate, as well as the transfer of key money (goodwill) shall be subject to 5% and 2% tax rates respectively on the basis of the transactional value of such transfers, and the transferors shall be liable to pay the applicable taxes.

Note 1: In cases where no transactional value shall be specified for the object of transaction, the transactional value of a similar property situated as close as possible to the location of the real estate concerned shall function as the basis of calculation of applicable taxes.

Note 2: In conformity with the present Act, by “the transfer of key money” it is meant the right of profession, occupation, business, trade and/or the rights resulting from the trade status of the place concerned.

Article 60: Deleted.

Article 61: In cases where a transaction shall not be made and effected through a notary public, the applicable tax shall be calculated on the basis of provisions of this Chapter. In general, transactional value of the nearest identical location shall be the basis for calculating the taxes on transfers of property.

Article 62: Deleted.

Article 63: Final and absolute transfers of property effected by any means other than a contract of sale, with the exception of conveyance without a consideration which shall be subject to pertinent tax regulations, shall be subject to tax on final and absolute transfers of property described in this Chapter. In cases where the consideration for each one of the transactions shall be real estate, each transferor shall be liable to pay the taxes applying to transfer of his property as stated herein.

Article 64: The function of establishing and determining the transactional value of property shall be vested with the Real Estate Assessment Committee (REAC) comprising seven members which, in Tehran, shall consist of the representative(s) of the State Taxation Affairs Organization, and the representatives of the ministries of Housing and Urban Development, Agricultural Jihad and the representative of the State Organization for Registration of Deeds and Real Estates and three (3) trustworthy local experts knowledgeable in the field of property assessment as recommended by the city councils. In the provinces, the REAC members shall consist of directors general or the heads of Taxation Affairs Administrations, Housing and Urban Development Administration and the Administration for Registration of Deeds and Real Estates in the centers of provinces and the representatives of the above-mentioned members in townships, as the case may be, in addition to three (3) trustworthy local experts knowledgeable in the field of property assessment as recommended by the city council. REAC shall hold annual

meetings in order to determine and specify the transactional value of the real estates and properties.

Assessment of real estate in each district and subordinate village (according to the nationwide divisions) shall be carried out by three (3) trustworthy local experts knowledgeable in the assessment of property who shall be recommended and named by the district council. In places where no city council or district council exists, three (3) competent individuals who shall not be civil servants and who shall be named by the governor general or governor of the district, shall member REAC and take part in the meetings held by the same.

REAC shall hold meetings at the invitation of the State Taxation Affairs Organization in Tehran and upon call by the director general or the head of taxation Affairs Administration in the provinces. The meetings of REAC shall have a quorum with the presence of at least five (5) members three (3) of whom shall not be civil servants. The decisions and resolutions shall be valid if adopted by the affirmative votes of four (4) participants.

The functions and responsibilities of REAC shall be:

- a. To establish the value of urban lands on the basis of the last transactional value and the geographical location (division of lands, quality of earth, subterranean utilities, water, air and altitude) legal status (joint ownership, type of ownership: currently having title, possessing deed of ownership, leasehold), urban transportation networks, the extent and density of population and buildings, location of the land in commercial, industrial and residential areas (or a mixture of the above types), and in general the type of application of the land, infrastructural facilities, shopping areas, and quality of thoroughfares.
- b. To establish the value of agricultural and rural lands with due regard to the above criteria as well as the distance to cities, type of produces and the price thereof, quality of earth and the quantity of water supply, the possibility of carrying out mechanized farming on the land, topographical status, road facilities, type of road and its distance to the main roads and whether or not there are different owners for the land, buildings and trees.
- c. To establish the value of buildings with due regard to the quality of materials (steel structure, concrete, concrete structure, steel beam roof, etc.) and the age, density, application (residential, commercial, office, educational, sanitary, services, etc.) as well as the type of ownership in respect of the land and building thereon.

The transactional value as determined in the above manner shall become effective after one (1) month from the date of final approval by REAC and shall remain valid and in force until a new transaction value shall be fixed.

Note 1: The State Taxation Affairs Organization or the administrations affiliated with it shall be authorized to convene the meeting of REAC prior to expiry of the said one-year period for the following purposes:

1. To fix the transactional value of real estate in the districts devoid of transactional value.

2. To adjust the transactional value of real estate in districts where the transaction value, in the opinion of the State Taxation Affairs Organization, does not correspond to the transaction value in other similar districts.

3. To adjust the transactional value of real estate in districts where the transactional value, in the opinion of the State Taxation Affairs Organization, due to a change in the aforementioned criteria, undergone drastic changes.

The transactional value fixed in accordance with the terms of this Note shall come into Force after one (1) month from the date of final approval by REAC and shall remain valid and in force until a new transactional value shall be fixed.

Note 2: So long as the transactional value shall not be fixed according to the terms and conditions hereof, the last transactional value already fixed shall remain in force.

Article 65: In all absolute and final transfers effected in the process of carrying out the Land Reforms Act which have or will become effective shall not be liable to Real Estate Income Tax. The provisions made in this Chapter shall likewise not be applicable to the transfer of residential units constructed by the housing cooperative companies.

Article 66: In cases where the transferee shall be the government, municipalities or the institutes affiliated thereto, and likewise in cases where a real estate shall be transferred through the executive department of the State Organization for Registration of Deeds and Estates on behalf of the owner, the value mentioned in the deed shall function as the basis for calculation of the taxes laid down in Article 59 of the present Act, even if the value cited in the deed shall be less than the transactional value.

Article 67: Cancellation of absolute and final transactions involving property on the basis of judgments issued by judicial authorities in general, and cancellation by mutual consent or any cancellation of absolute and final transactions of property for any other cases which may be effected within six (6) months after the date of transaction shall not be considered as a new transaction and shall not be subject to taxation under the terms hereof.

Article 68: Such landed properties as pass into the Government's possession through the enforcement of Article 34 of the Registration Act of Mordad 1320 (1941) and subsequent amendments thereto shall not be liable to the tax due on absolute conveyances.

Article 69: The first absolute and final transfer of low and medium price houses which shall be erected within ten (10) years after the date of approval hereof according to the criteria and at prices fixed by the Ministry of Housing and Urban Development, and the Ministry of Economy and Finance and shall be conveyed within one (1) year after the date of respite laid down for carrying out the project concerned as determined by the Ministry of Housing and Urban Development or the local municipality shall be exempt from payment of tax on absolute conveyances of property.

Article 70: A property or sum of money paid to or deposited in the name of a proprietor or the owner of the right, by the ministries, government institutes and companies or the municipalities, in consideration for real estate and land for the construction and/or development and extension of military installations or public domain, such as development or construction of roads, rail-ways, thoroughfares, water, oil and gas

pipelines, digging streams and the like, shall be exempt from payment of tax under the present Chapter.

The estates which were or shall be registered with the list of Iran's national relics, in conformity with the relevant laws, shall be tax exempt in case they shall be transferred to Iranian Cultural Heritage Organization, in relation to the overall tax on final transfer. However, in cases where the ownership of such real estates shall be retained by the natural person/legal entity, they shall be exempt from payment of 50% of applicable tax, mentioned in the Chapter on the income tax.

Further, the property or sum of money which shall be paid to the proprietors or the owners of right by the natural persons or legal entities mentioned above in consideration for the acquisition or taking possession of the real estate or the rights standing within the boundaries and limits of the projects meant for renewal, improvement and/or reconstruction of old places and deteriorated districts and regions of the cities and townships shall be exempt from payment of conveyance tax.

Article 71: The price of building shall not be calculated in assessment of taxes on real estate transacted by means of ordinary deeds of conveyance, provided that the competent government, judicial or municipal authorities or forums, where the property is situated, shall certify and confirm in writing the facts and circumstances in this regard.

Article 72: In cases where a transaction shall not take place after payment of the applicable conveyance taxes by the taxpayer concerned, the local Taxation Affairs Administration concerned shall be obligated to return the applicable taxes at the request of the taxpayer and upon confirmation by the notary public concerned, certifying that no transaction has taken place. The reimbursement shall be made within fifteen (15) days after the date of certification by notary public out of the current tax collections made pursuant to this Act. The terms of this Article shall also apply to the reimbursement of taxes applying to transfer of key-money and windfall earnings.

Article 73: Deleted.

Article 74: Anyone holding a property under the title of Dast'darami or any other title(s), shall be required to pay full taxes on conveyance as provided under this Chapter, in case such holder shall transfer the whole of his rights holding to another. The holder shall also be liable to pay the taxes which an owner of property shall pay in case such holder shall transfer any of his rights in the property. In all the above cases, the date when the holder took control of the property, shall be deemed as the date of taking the property into his possession.

Article 75: For tax purpose, the tenants of endowed lands whether or not they erect any buildings thereon, shall be treated as proprietors with regard to the land.

Note 1: In calculation of taxes of this group of taxpayers, the date of taking the property on lease, shall be deemed as the date of title to the property.

Note 2: The provisions of this Article shall not prevent enforcement of the terms of Note 7 under Article 53 of this Act, in cases where the property shall be transferred to another person by the tenant.

Article 76: In cases where the transfer of property, mentioned in Article 52 of the present Act, shall be subject to taxation laid down in Article 59 herein, no other income tax shall be transferred to another person by the tenant.

Article 77: As for the newly-constructed buildings, both residential and non-residential, the Construction Termination Certificate of which has been issued less than two (2) years before the date of transaction, when such buildings shall be finally transferred for the first time, they shall be subject to a fixed tax rate equal in amount to 10% of transactional value of the building/superstructure transferred. The said tax shall be in addition to the final transfer taxation mentioned in Article 59 of the present Act. Accordingly, the natural persons and legal entities shall not be liable to any other taxes in respect of the income earned through the construction and sale of the buildings mentioned in the present Article 77.

Article 78: In case of transfer of each and everyone of the rights mentioned in Article 52 of the present Act by the owner of the object, excluding the cases mentioned in Articles 53 to 77 hereof, the amounts collected by the owner shall be taxed at the rates mentioned in Article 59 above.

Article 79: Deleted.

Article 80: Taxpayers falling under this Chapter shall be required to draw up their tax declaration (on the sample forms prepared and supplied to them by the State Taxation Affairs Organization and hand it over to the local Taxation Affairs Administration in the district where the property is situated and pay the applicable taxes by the end of the month of Tir (July 22). With regard to all transfers of key-money and the taxpayers under Article 74 of this Act shall be required to file tax returns and pay the applicable taxes within a maximum period of thirty (30) days after carrying out the transaction.

Note 1: in cases where the transactions specified in Article 52 above shall be effected through the medium of notarial deeds, the taxpayer shall be required to notify the local Taxation Affairs Organization concerned prior to carrying out the transaction of the details of the amount he receives and/or the amount of income under any one of the taxes specified under Article 187 of this Act. Such notice, except in cases where the proprietor has been changed, shall be tantamount to fulfillment of all duties prescribed in this Article.

Note 2: In cases where the transactions specified in this Chapter shall not be effected through the medium of notarial deeds, the transferee shall be required to notify the deal in writing and within thirty (30) days of conclusion thereof; to the local Taxation Affairs Administration wherein the property is situated.

Chapter 2: Tax on Income Derived from Agriculture

Article 81: Income derived from the activities relevant to agriculture, farming, animal husbandry, livestock breeding, pisciculture, apiculture, poultry farms, fishing, silk worm seeds production, revival of pastures and forests, orchards of any type and palm trees shall be tax exempt.

The government shall conduct the required studies and research in connection with agriculture activities and those fields of farming and agriculture whose tax exemption shall be deemed necessary to continue in order to prepare and submit to the Islamic Consultative Assembly, the relevant bills maximally before termination of implementation period of the Third Economic, Social and Cultural Development Plan of Islamic Republic of Iran.

Chapter 3: Tax on Salary

Article 82: Income earned in cash or in kind by any natural person in the service of another person (natural or juridical) against his working power for employment in Iran on either a period of time or piece-work basis shall be liable to salary tax.

Note: Wage or salary earned from Iranian sources (whether from the Government of the Islamic Republic of Iran or from persons residing in Iran) for the period of one's assignment on duty abroad shall be liable to salary tax.

Article 83: Salary taxable income shall consist of salary, (basic salary or wages) and the benefits related to the job whether on recurring or non-recurring basis before making deductions and after making allowances for the exemptions provided in this Act.

Note: The non-pecuniary income liable to salary tax shall be assessed as set forth hereunder:

- a. Free furnished housing 25% and unfurnished 20% of the monthly salary and recurring benefits paid in cash (except the cash benefits exempted in accordance with Article 91 of the Act) after making deductions on this account from the salary of the employee.
- b. Allocated car with driver 10% and without driver 5% of the monthly salary and recurring benefits paid in cash (except the cash benefits exempted in accordance with Article 91 of this Act) after making deductions on this account from the salary of the employee.
- c. Other non-pecuniary benefits, equal to the cost price as incurred by the party paying the salary.

Article 84: Out of the annual income subject to salary tax of the salaried class including the workers subject to the Labor Law, whether earned through a single source or multiple sources, up to the amount being equal to 150 times the minimum salary, constituting the basis of Salary Schedule mentioned in Article 1 of the Law on Harmonized Salary of Civil Servants approved in 1991 shall be exempt from payment of tax.

Article, 85: The salary of the employees subject to the Law on Harmonized Salary of Civil Servants approved on Sept. 3, 1991, after having deducted the exemptions prescribed in the present Act, shall be subject to a fixed salary tax rate equal to 10%. However, as for other salaried employees, after deduction of the tax exemptions laid down in the present Act, a 10% tax rate shall apply up to the amount of Rls.42,000,000 (forty two million rials), and for the amounts exceeding the said sum, the tax rates prescribed in Article 131 of the present Act shall apply.

Article 86: The salary-paying persons and entities shall be required, when effecting any payment or allocating the same, to calculate the applicable tax as per the provisions made in Article 85 of the present Act and duly deduct the taxes due from the salaries to be paid.

Subsequently, they shall be required to communicate to the local Taxation Affairs Administration, within 30 days a list demonstrating the names, particulars and addresses of the ones receiving the salary as well as the salary amount. As for the subsequent months, they shall simply be required to report the changes, if any, in the said list to the local Taxation Affairs Administration mentioned above.

Note: in case there shall be paid any amount by persons or entities other than the principal or original salary-payers, such persons/entities shall be required, when effecting such payments, to calculate and duly deduct the applicable taxes without observing the exemptions mentioned in Article 84 of the present Act, in conformity with the rates prescribed in Article 85 above. Subsequently, they shall be required to communicate to the local Taxation Affairs Administration, within thirty (30), days a list demonstrating the names, particulars and addresses of the ones receiving such amounts as well as the sums so paid to each.

Article 87: Sums paid in excess of the salary tax income shall be refunded according to the provisions of this Act, provided that a claim shall be made by the recipient of the salary to the Taxation Affairs Administration of the place of his/her residence.

The Taxation Affairs Administration shall be bound to carry on the necessary verifications within a period of three (3) months after the date of submission of the claim by the applicant. In case it shall be established that the salary tax has been paid in excess, the excess tax shall be reimbursed out of the current collections of the local Taxation Affairs Administration provided that the applicant shall not have any final debts to the said Administration. Should the applicant be indebted on account of a finally assessed debt, the excess tax shall be set off against such debt and the balance, if any, shall be returned.

Article 88: In cases where salaries shall be received from persons/entities residing abroad and having no branch office or representative in Iran, the recipients shall, within a period of thirty (30) days from the date of receiving such salary, pay their applicable tax to the Taxation Affairs Administration at their location of residence in accordance with provisions of this Chapter, and they shall, moreover, submit to the said Taxation Affairs Administration, not later than the end of the month of Tir (22nd July) of the following year, a tax declaration concerning the salary thus received.

Article 89: Issuance of a permit for exit from Iran or extension of the residence permit or work permit for foreign nationals, excluding the ones who are exempt from payment of tax, shall be subject to submission of either a tax settlement certificate by the applicant or a letter of undertaking by the employer of Iranian juridical entities being parties to the contracts concluded by the employer of foreign nationals or the Iranian third party juridical entities.

Article 90: In cases where the salary payers shall fail to pay the taxes withheld in due course or pay a lesser sum than the amount of actual withholdings, the Taxation Affairs Administration of the place where the employee is engaged, or in the case of employees subject to the Note under Article 82 of the present Act, the Taxation Affairs Administration of the place of the salary-payer (i.e. the employer) shall be required to calculate and duly claim the applicable taxes and the penalties, prescribed in the present Act, from the salary-payers who shall be considered as the taxpayer, against submission

of a tax assessment notice and in compliance with the respite laid down in Article 157 of the present Act. The same provisions as made in the present Article 90 shall apply to the ones subject to Article 88 of this Act.

Article 91: Salary incomes shall be tax exempt in the following cases:

- Heads and members of foreign diplomatic missions, and heads and members of the extraordinary delegations from foreign states in respect of the salaries they shall receive from their respective governments, subject to reciprocal treatment. Likewise, the heads and members of delegations from the U.N. and its specialized agencies in Iran in respect of the salaries they shall receive from the said organization or agencies and provided they are not subjects of Islamic Republic of Iran.

2. Heads and members of the foreign consular missions in Iran; and also the employees of the cultural institutions attached to foreign governments, in respect of the salaries they shall receive from their respective governments, and subject to reciprocal treatment.

3. Foreign experts who, with the consent of the Government of the Islamic Republic of Iran, shall be dispatched to Iran by the foreign state or international institutions under technological, economic, scientific, or cultural grants in aid, in respect of the salary they shall receive from their respective governments or from the said international institutions.

4. Local employees of the Government of the Islamic Republic of Iran's embassies, consulates and delegations abroad, in respect of the salary they shall receive from the Government of Iran, subject to reciprocal treatment and provided they are not Iranian citizens.

5. Pensions, retirement allowances, pensions and stipends, service severance pay, termination benefits and compensation, dependents' pension, service life bonus, and the salary of unutilized vacation days due which shall be paid to the employees upon their retirement or physical disability.

6. Traveling expenses and traveling allowances paid in connection with one's job.

7. Deleted.

8. The accommodation provided at the site or factory for workers and low-price staff quarters outside the site or factory for accommodation of workers.

9. Amounts received through insurance on account of compensation for physical injury or medical treatment and the like.

10. New year bonus or year end allowance collectively equal to 1/12 (one twelfth) of the amount of tax exemption mentioned in Article 84 of the present Act.

11. Staff quarters assigned to the members of Civil Service either in conformity with the laws or under special regulations.

12. The amounts paid by the employers for medical treatment of the employees or their dependents directly or through the wage-earner to the physician attending the employees or a hospital, as confirmed and supported by receipts and documents.

13. Non-pecuniary amounts paid to the employees, maximally equal to 2/12 (two-twelfth) of the amount of tax exemption mentioned in Article 84 of the present Act.

14. Salary payable to the armed forces of Islamic Republic of Iran, both military and disciplinary forces, and the ones subject to the Employment Regulations of the Ministry of Intelligence as well as the ones physically disabled either in the course of Islamic Revolution or during the Iraqi-imposed war and prisoners of war.

15. Deleted.

16. Deleted.

Article 92: Up to 50% of the tax applying to the salary of the employees engaged in less-developed regions, as per the list provided by the State Management and Planning Organization shall be exempt.

Note: Salary tax liability of military and disciplinary personnel effective up to the date of implementation of the present Act shall be exempted.

Chapter 4: Taxes on income from Professions

Article 93: The income earned in Iran by a natural person engaged in professions or from other sources, excluding the ones specified under other Chapters of the present Act, shall, after deducting the exemptions prescribed in this Act, be liable to Tax on Profession.

Note: The income earned by voluntary or compulsory civil partnership as well as the income earned through bailment shall be subject to provisions of the present Chapter in case the owner of capital shall be a natural person.

Article 94: The taxable income of the taxpayers liable to taxation under this Chapter shall consist of the total amount of the sale of commodities and services, plus such other incomes as are not liable to taxes in other Chapters, less the relevant expenses and depreciation as provided for in the Chapter on Deductible Expenses and Depreciation.

Article 95: The artisans mentioned in the present Chapter shall be duty bound to maintain sufficient and reliable documents and evidences for the assessment of income liable to taxation. For taxation assessment purpose, the artisans shall be divided into the following groups:

a. The artisans who, in conformity with the provisions of the present Act, are required to register and record their professional and occupational activities in the journal and the ledger as prescribed in the Commercial Code of Iran, and who are required to keep and maintain the relevant books, documents, vouchers and evidences, in compliance with the generally-accepted accounting principles, standards and criteria.

b. The artisans who, in conformity with the provisions of the present Act, are required to record and register their vocational activities in Income and Expenditures Books. Samples of such books shall be prepared by the State Taxation Affairs Organization and shall be put at the disposal of the public.

c. the artisans who are not subject to the made in Clauses (a) and (b) above, shall be required to keep a summary statement of their incomes and expenditures, as per the

criteria and sample forms prepared and notified by the State Taxation Affairs Organization.

Note 1: If necessary, the State Taxation Affairs Organization shall, before Dey 30th of each year (January 19), prepare a list of the professions and occupations which shall be added to the ones mentioned in Clauses (a) and (b) of Article 96, and which shall be subject to the said provisions as of the beginning of the following year. The facts and circumstances in this regard shall be notified to the taxpayers concerned through the relevant guilds and trade unions a by giving notifications in both the Official Gazette as well as a highly-circulated newspaper.

Note 2: The regulations pertaining to the manner of keeping the books, documents, vouchers and evidences as well as the in ode of registration of financial activities and the method of preparation of final financial statements on the basis of the type of activity, and in conformity with the generally-accepted accounting principles, criteria and standards shall be prepared by the State Taxation Affairs Organization, in coordination and collaboration with the Chartered Accountants Society, in order to be subsequently approved and endorsed by the Minister of Economy and Finance.

Article 96:

- a. The artisans mentioned in Clause (a) of Article 95 above shall comprise the following ones:
1. The holders of commercial cards, the importers and exporters.
 2. Owners of factories, industrial production entities and workshops to which establishment license and exploitation permit were or shall be issued by the ministry in charge.
 3. Mine operators and exploiters
 4. The owners of institutes engaged in auditing, accounting, book-keeping and financial services as well as the ones rendering managerial, consultant, advisory, Info Tech, and computer services, both software. and hardware, and system designing.
 5. The owners of educational and training centers, free educational establishments, non-profit schools, universities, faculties, colleges and higher education centers.
 6. The owners of hospitals, maternity hospitals, sanatoriums, polyclinics, and the asylums for the elderly.
 7. The owners of hotels and motels, including the ones ranked 3-star and higher.
 8. Wholesalers, department stores, financial brokers, representatives for the distribution of domestically-produced and imported goods and commodities, as well as the owners of warehouses.
 9. The representatives of trade and industrial institutes and entities, both domestic and foreign.
 10. The owners of motor, land, sea and air transport companies and institutes, handling both passengers and freights.
 11. The owners of engineering and consultant engineering institutes and companies.

12. The owners of advertisement and marketing institutes.
- b. The artisans mentioned in Clause (b) of Article 95 of the present Act shall comprise the following ones:
 1. The owners of industrial workshops.
 2. The artisans engaged in occupations and professions in connection with construction, technical and industrial establishments, topography, cartography, technical calculations and supervision.
 3. The owners of printing houses, lithographers, bookbinders, graphics specialists and those rendering printing services.
 4. The owners of computerized telecommunication centers.
 5. Attorneys-at-law, the experts, official and certified translators to the Ministry of Justice, legal advisors, chartered accountants and the ones membering the Engineering Disciplinary organizations.
 6. Free-lance researchers and experts at-large engaged in developing research projects.
 7. Brokers and commission agents and agencies.
 8. The owners of cultural-artistic centers, culture houses, vocational and professional societies, guilds and expert associations.
 9. The owners of cinemas, theatres, recreational and athletic centers.
 10. The artisans involved in film making, translation, other cinematic services.
 11. Physicians and dentists who own a clinic anti practicing veterinary surgeons.
 12. The owners of test laboratories, X-ray, physiotherapy, sonography, electroencephalography, C.T. scanning clinics, beauty saloons and the persons rendering medical and/or non-medical health services.
 13. The owners of guesthouses.
 14. The owners of wedding saloons, restaurants, producers of ready-to- use last foods and the persons rendering entertainment services as well as the individuals providing dishware for various ceremonies.
 15. The owners of notary publics.
 16. The owners of authorized repair shops and auto-services.
 17. The owners of car exhibition and sale halls as well as housing and car agencies.
 18. The manufacturers and vendors of jewelry and gold ornaments.
 19. Sale agents and vendors of ironware.

Note 1: If necessary, the State Taxation Affairs Organization shall be authorized to bind each and every one of the artisans mentioned in Clause (b) of above Article 96 to comply with the provisions laid down in Clause (a) of this Article, provided that the relevant facts and circumstances shall be communicated in writing to the above taxpayers before Dey

30th of each year (January 19). Such taxpayers shall be duty-bound to comply with the provisions made therein as of the beginning of subsequent year.

Note 2: By “the owners” as mentioned in Article 96 above, it is meant the persons for whose account the institutes are operated.

Note 3: If a taxpayer subject to Article 96 above, shall be engaged in any other trade and/or activity prescribed in the present Chapter, he shall be required to comply with the provisions made in the present Act as for all occupational and professional activities rendered by same.

Article 97: In the following instances, the amount of taxable income of a taxpayer shall be assessed arbitrarily:

1. When the balance sheet, the profit/loss account and/or income and expense account as well as the profit/loss account, as the case may be, shall not be submitted by the time-limit prescribed.

2. In cases where the taxpayer shall fail, when requested in writing by the Taxation Affairs Administration, to produce, at his place of business, the accounts books and/or documents (by place of business in ease of legal entities, it is meant their legal address, unless the taxpayer has already communicated in writing to the Taxation Affairs Administration, the center of his operations for the production and submission of the books of accounts, vouchers and documents).

For the purpose of the present Clause, if the taxpayer shall refrain from submitting a part of the accounting documentation, if such documents shall pertain to the expenditures, the expenses shall not be considered as deductible. However, if such documents shall pertain to the incomes, the tax applicable to such incomes shall be assessed arbitrarily.

3. In cases where the accounts books and documents produced for assessing the amount of taxable income shall be found inadequate for verification of the assessment in accordance with the opinion expressed by the Taxation Affairs Administration, or in cases where the accounts books shall not be found acceptable due to non-conformity with the legal provisions and criteria and the applicable regulations, the facts and circumstances in this regard shall be notified in writing to the taxpayer by producing sufficient evidence and reasons. The case shall then be referred to a board comprising three (3) auditors appointed by the Director General of the State Taxation Affairs Organization. The taxpayer shall be authorized to seek recourse to the said board, within a period of one (1) month after the date of the notice and submit his argumentation and justifications in writing, demonstrating his compliance with the legal criteria and the applicable regulations, as the case may be. The board, under any circumstances, shall be required to advise its well-reasoned comments, proofs and evidence, to the Taxation Affairs Administration. The opinion communicated by the board shall be valid and binding and shall be adopted by a majority of votes of the members. However, the opinion of the minority members shall be duly recorded in the minutes of the meeting of the board. In cases where the board shall declare its opinion on rejection of the books of accounts for verification, the matter shall also be notified to the Disciplinary Taxation Prosecutor.

Note 1: For implementation of Clause 3 above, two (2) months shall be added to the period of investigation envisaged under Article 156 of the present Act.

Note 2: in cases where it shall prove impossible to determine and specify the actual income of the taxpayer on the basis of the documents, papers and vouchers submitted or acquired one way or other, the Taxation Affairs Administration shall be required to duly determine the taxable income on the basis of examination of the said documents, evidences, vouchers or the books of account, as the case may be. If it shall be established, on the basis of sufficient indications and evidence, that the taxpayer used to earn income derived from undeclared activities, the taxable income relevant to such activities shall be determined and specified arbitrarily by the Taxation Affairs Administration, and shall be added to the former one, which shall collectively function as the basis for tax claims.

Article 98: In case of arbitrary assessment, the Taxation Affairs Administration shall, after having carried out the necessary investigations and sought the opinion of various Public or private authorities, choose from among the indications enumerated in the present Act, the particular indication(s) which may be considered applicable and better-suited to the particular situation and the nature and scope of taxpayer's activities, and shall justify its choice of the type and amount of such indication(s) in its verification reports. The said Administration shall subsequently multiply the coefficients set forth herein by the said tax indications in order to obtain the amount of taxable income. If the coefficient shall be applied to several tax indications, the average of the products obtained by such multiplication shall constitute the amount of taxable income.

Article 99: The taxable income in respect of the contracts, mentioned in Article 76 of the Direct Taxation Act as amended, approved in March 1967 (Esfand 1345), which have been proposed prior to the date of approval and ratification of the present Act, as well as the requirement for the payment of 4% flat and fixed tax, shall continue to be subject to the provisions made in the above mentioned Act.

Note: The contracts mentioned in Article 76 of the Direct Taxation Act as amended approved in March 1967 (Esfand 1345), which have been proposed between Feb. 22, 1988 and Feb. 21, 1989, in terms of determination of the taxable income, shall be governed by the provisions of the present Act. 1- however, such contracts shall conform to the tax rates prevailing during Iranian year 1367, in connection with their revenue operations in the year ending March 20, 1989.

Article 100: The taxpayers mentioned in the present Chapter shall be required to submit separate tax declarations, according to the form prepared and supplied by the State Taxation Affairs Organization, for their activities during one fiscal year or for each one of the occupations they have and for each place of business, up to the end of the month of Tir (July 22) of the subsequent years, to the local Taxation Affairs Administration and pay the applicable taxes in conformity with the rates set forth in Article 131 of the present Act.

Note 1: One individual tax declaration shall be sufficient for the workshops and industrial production entities having several offices or shops in other locations. The taxpayer concerned shall file only one tax declaration with the local Taxation Affairs Administration.

Note :2: The taxpayers subject to the present Chapter who lack a fixed place of business, shall be required to submit their tax declaration to the Taxation Affairs Administration where their place of residence is located.

Note 3: Filing a tax declaration by any one partner in a civil partnership shall not relieve the other partners from their duties and undertakings in this regard. Accordingly, it shall not relieve other partners to prepare a joint tax declaration.

Note 4: The tax declaration of the taxpayers mentioned in the present Chapter shall comprise a balance sheet and profit/loss account or income and expenditure account or a summary statement of incomes and expenditures, as the case may be, in conformity with the forms which shall be specified by the State Taxation Affairs Organization.

Note 5: The State Taxation Affairs Organization shall be authorized to determine and specify the taxable income of any or all of the taxpayers subject to Clause (d) of Article 95 of the present Act in any year and in regions where it shall be deemed appropriate and expedient. The taxable income shall be fixed with the approval of the relevant guild. The tax assessed in this manner shall be final and collectible. if a taxpayer shall succeed to prove that his business was closed down for some period of time during a fiscal year or that he was not able to work and be active due to force majeure, and if the facts and circumstances in this connection shall be certified by the Board for Settlement of Tax Disputes, the taxable income of the taxpayer shall be assessed on the basis of the period of time while lie was able to work, and the applicable tax shall be collected.

Article 101: The annual taxable income of the taxpayers who are mentioned in the present Chapter, and who shall proceed to produce and submit their tax declaration in a timely fashion and in conformity with the provisions made in the present Chapter, shall be tax exempt up to the amount mentioned in Article 84 of the present Act. However, the sums in excess thereof shall be taxed in conformity with the rates prescribed in Article 131 of this Act. Submission of the tax declaration as a requirement entitling the taxpayer to benefit from the tax exemption mentioned above, shall apply to the revenue operations of the Iranian year 1382 and the subsequent years.

Note: In civil (not registered) joint ventures, including both voluntary and compulsory ones, the partners shall benefit from a maximum of two exemptions, and the amount of exemption shall equally be divided among them. The remaining share of each one of the partners shall separately be taxed. The partners who have marital relationship in terms of taking advantage of said exemption, shall be treated as a single partner, and the exemption shall be granted to the husband. In the event of demise of one of the partners, the heirs shall benefit from the tax exemption in their capacity as the legal successors in the partnership as stated in the foregoing. This exemption shall equally be divided among them and deducted from the income allocable to each one of them.

Article 102: In a contract of bailment, the bailee, at the time of submitting his/her tax declaration, shall be obligated to withhold the taxes payable by the

Note: The bailee shall have no obligation to withhold the applicable taxes in case the proprietor is a bank.

Article 103: Attorneys-at-law and those acting as counsel before the special courts shall be required to specify the respective amount of fees on their power- of-attorney

documents, and to affix and cancel out stamps to the value of 5% of such fees as tax payment on account. The amount of such stamps in the respective cases, however, shall in no case be less than the scale prescribed hereunder:

- a. In respect of lawsuits and cases involving financial claims: 5% of the lawyer's fee at each stage of the proceedings as specified in the relevant tariff.
- b. In cases where the power of attorney does not involve financial claims, or in instances where the law does not require that the amount of claim should be indicated and also in penal cases where the courts have the direction to determine the lawyer's fees, the amount of tax applicable for each stage of the proceedings shall be 5% of the minimum prescribed in the regulations governing the lawyer's fees.
- c. In penal cases involving financial claim from a private individual:
As provided for in the provisions made in Clause (a) of this Article.
- d. In instances of financial claims which shall be dealt with and settled by special and non-judiciary bodies and for which no specific tariff is prescribed, such as disputes concerning taxation, municipality charges and dues, widening-of-roads issues and the like, lawyer's fees shall, for the sole purpose of taxation, be taken according to the scale indicated hereunder:

For disputes involving amount of up to Rls.10,000,000 (ten million rials): 5% thereof.

For disputes of up to Rls.30,000,000 (thirty million rials): 4% of the amount in excess of the first Rls.10,000,000.

For disputes of Rls.30,000,000 (thirty million rials) upwards: 3% of the amount in excess of the first Rls.30,00Q

Revenues stamps to the value of 5% of such fees shall be cancelled out. The provisions of this above Clause (d) shall also be applicable to such persons who, even though not professional attorneys-at-law, act as attorney of the taxpayers and on their behalf before the bodies mentioned in this Clause (d), except when they shall be the taxpayer's employee, father, mother, brother, sister, son, daughter, grand-son or grand-daughter, wife or husband.

Note 1: In cases where the provisions of above Article 103 shall not be duly complied with, the lawyer's power of attorney shall, subject to the provisions of the Civil Procedure Act, not be acceptable to any court of law and or the bodies mentioned above, except in case of powers of attorney given by ministries, government agencies, and companies, municipalities and institutions affiliated to the government and municipalities whose power of attorney documents do not require affixing stamps thereon.

Note 2: All ministries, government agencies and companies, municipalities, and institutes affiliated to the government or with the municipalities shall be required to deduct 5% of the payments they make to lawyers as fees for legal representation, and to pay such amounts to the local Taxation Affairs Administration as provisional tax payment by the lawyers concerned, within a period often (10) days.

Note 3: In cases where stamps shall be canceled out in respect of a power of attorney and then the case shall be referred to another lawyer, such new lawyer shall not have to cancel out stamps on his relevant o of attorney.

Note 4: Where the lawyer's fee or any compensation relating thereto shall be fixed by a court of law at a higher or lower amount than that in respect of which stamps have been affixed and canceled out on powers of attorney, the court clerks shall be required to notify the respective Taxation Affairs Administration of the amount fixed according to the (above court's) final verdict, so that the difference may be taken into account for calculation of the applicable tax.

Article 104: The ministries, government institutes and organizations, municipalities, the entities and institutes affiliated to the government and municipalities as well as the juridical entities, including both for-profit and non-profit entities, and the natural persons mentioned in Clause (a) of Article 95 of the present Act, shall be required to deduct and withhold, in order to deposit, within thirty (30) days, in an account to be specified by the State Taxation Affairs Organization, five percent (5%) of any sums they pay on account of any type of medical fees, hospital, laboratory or X-ray expenses, fees for arbitration, consultation, expert advice, administrative and fiscal services, auditing, writing, editing, composing, musical compositions and/or performances, theatrical performances, singing, painting, brokerage fee or commission, any type of fees, commissions or charges for the services excluding charges paid to the banks, Cooperatives Fund and the authorized non-bank credit institutes, cleaning of buildings, rental of offices and calculating machines, computer services, computerized telecommunication, rental of any kind of ground, air and marine motor vehicles and means of transportation, machinery, plants, cold stores, warehouse charges, repair and maintenance of lifts, central heating and air conditioning equipment, any kind of construction works, technical installations, various establishments, designing and planning of buildings and installations, topography and cartography services, supervision and technical calculations of various kinds, transportation, as well as any fees paid on account of royalties for movie films. The taxes so withheld shall be paid to the said account and the receipt thereof shall be submitted to the original taxpayer. The persons and entities withholding such taxes shall also be obligated to inform the respective Taxation Affairs Administration, within thirty (30) days, of the names and address of the said original taxpayers.

The banking facilities granted by banks through contracts of reward (ji 'ala) for agricultural purposes and for the repair and completion of residential units shall not be subject to deduction of provisional five percent (5%) tax, as stipulated in the present Article. In such cases the banks shall be required to dispatch to the respective Taxation Affairs Administration, a copy of the reward contract (ji'ala) concluded with the agent within thirty (30) days after the date of signing and conclusion of the contract.

Note 1: In cases where a contract shall be made for carrying out the activities mentioned in the present Article, the employer shall be required to submit a copy of the contract to the local Taxation Affairs Administration and obtain a receipt therefor.

Note 2: In cases where the original income earned through carrying out of any of the activities stated in the above Article 104 shall be exempt from payment of taxes, no

withholding shall be necessary to be made, provided however that the prior agreement in writing of the local Taxation Affairs Administration shall be obtained in this regard.

Note 3: In cases where the amounts referred to in above Article 104 shall be deposited in advance into the Treasury of the Ministry of Justice or other similar government departments, or when they shall be collected and paid over by executive forums or authorities, the obligations set forth under Article 104 above shall be carried out by those officials who authorize the aforesaid payments, and the party depositing the sums shall not be required to withhold the applicable taxes.

Note 4: Concerning the contracts mentioned in Article 76 of the Direct Taxation Act as amended, approved in Esfand 1345 (March 1967), the proposals concerning which have been made prior to the date of ratification of the present Act, the employer shall be required to comply with the provisions made in the said Article 76.

Note 5: The State Taxation Affairs Organization shall, before the end of the month of Dey of each year (January .20), prepare a list of new cases which shall be added, as of the beginning of subsequent Iranian year, to the ones stipulated in Article 104. The newly-added cases shall be notified to the public through notifications to be printed in the Official Gazette and a highly-circulated newspaper.

Note 6: The State Taxation Affairs Organization shall be authorized, in case the taxpayers mentioned in Article 104 shall refrain from carrying out the duties and undertakings laid down therein, to seek recourse to same in order to claim the taxes due after having carried out the required investigations. However, if they shall refrain from paying the applicable taxes, the said Organization shall be authorized to collect the taxes due through the executive operations mentioned in Chapter 9 of Book IV of the present Act. Concerning the government executive organizations and bodies, non-government public institutions, as well as the organizations, bodies, entities and institutes which, one way or other, benefit from government credit allocations and other organizations and entities the applicability of the law thereto requires mentioning and reiterating their names, the said organization shall be authorized to draw down the applicable taxes from their bank accounts.

Chapter 5: Tax on Income Earned by Legal Entities

Article 105: The aggregate income earned by companies, and the income earned from various sources in Iran or abroad, through profit-making activities by other juridical entities shall, after levying the losses resulting from non-exempt sources and after having deducted the exemptions as prescribed, excluding the cases subject to different rates under the provisions made in the present Act, be liable to 25% tax rate.

Note 1: Concerning non-commercial Iranian juridical entities which have not been established for earning profit, in case they shall carry out and engage in profit-yielding activities, the total taxable income earned by same through profit-yielding activities shall be liable to taxation as per the rates laid down in Article 105.

Note 2: As for foreign juridical entities and the entities domiciled outside Iran, excluding the ones liable under Note 5 of Article 109 and Article 113 of the present Act, tax liability shall be at the rates mentioned in the present Article 105 and on the basis of the

total amount of taxable income earned by them in Iran and arising from use of their capital or the activities carried out directly by them or through their agencies such as branch offices, representatives, agents and the like, or on such incomes as they earn in Iran through the assignment of their concessions, turning over of their rights, transfer of technical know-how, or providing technical training or assistance and concession of Iranian movie films.

Note 3: On the date when the income tax of juridical entities, including both Iranian and foreign, shall be assessed, the taxes paid prior to the date of assessment by the juridical entity shall be deducted from the amount of applicable tax in conformity with the relevant provisions, and the excess payment, if any, shall be reimbursed.

Note 4: The natural persons and legal entities shall not be liable to any other taxes in respect of the dividend or the contribution they may collect from the companies requesting investment.

Note 5: In cases where, in conformity with the approved laws and regulations, certain sums, under any title or name, except the income tax, shall be collectible out of the taxable income of natural persons or legal entities, tax liability of such persons or entities shall be calculated at the rates set forth, after having deducted such sums, if any.

Article 106: The taxable income of legal entities shall be assessed by verifying their statutory accounts books, in conformity with the provisions made in Article 94 and Clause (a) of Article 95 hereof, except for any income which may be assessed in a different manner according to the regulations of the present Act. In cases described under Article 97 of the present Act, assessment shall be carried out on arbitrary basis.

Article 107: The taxable income of foreign legal entities and the institutes domiciled outside Iran shall be assessed in the following manner:

a. Concerning the contracts in Iran, in proportion to the operations of any construction works, technical establishments including supply, erection and installation as well as transportation and the operations relevant to preparation of the design of buildings and various establishments, topography, cartography, supervision, technical calculations, providing training and giving technical assistance, transfer of technical know-how as well as other services, 12% tax rate shall apply to the aggregate of the amounts collected annually.

b. As for the transfer of rights, assignment of concessions arising from Iran and the concession of movie films, the income which shall be earned by them as the price or royalty or any other title whatsoever, a taxable income (deemed profit) ranging between 20% to 40% shall apply to the aggregate of the sums earned by them during one fiscal year. The coefficient for determination of taxable income applicable to each and every one of the cases mentioned in the present Clause (b) shall be proposed by the Ministry of Economy and Finance and shall subsequently be approved by the Council of Ministers.

The entities bound to pay the sums mentioned above as well as the ones which shall pay the sums described in Clause (a) of the above Article 107 shall be required to deduct and withhold, from any payment they shall make, the tax applicable to the sums they have paid as of the beginning of the year up to the date they shall effect a new payment, and shall pay, within ten (10) days, such withheld amounts to the Taxation Affairs

Administration of their place of residence. Otherwise, the ones collecting such sums shall collectively be liable to pay the original tax as well as any other sum applicable thereto.

c. Concerning the exploitation and utilization of the capital as well as other activities which shall be rendered in Iran by the said legal entities and institutes, through their branch offices, representatives, agents and the like, the provisions laid down in Article 106 of the present Act shall apply.

Note 1: In cases where the operations of the contracts mentioned in Clauses (a) and (b) of Article 107 above shall be assigned, either totally or partially, to Iranian legal entities acting as contractors, on payment of any sums by such entities to Iranian contractors, an amount equal to 2.5% shall be deducted, and withheld as "Tax on Account", and shall be deposited, within thirty (30) days after the date of payment, in an account to be specified and determined by the State Taxation Affairs Organization.

Note 2: in the case of contracts mentioned in Clause (a) of Article 107, if the employer shall be included among the ministries, government institutes and companies or the municipalities, the portion of the contract price which shall be allocated for the purchase of equip and accessories through local or international procurements, shall be tax exempt, provided that the sums allocated to the supply of equipment and accessories shall separately be cited and recorded either in the contract or in the amendments or addenda made subsequently thereto.

Note 3: The branches and representative offices of foreign companies and banks in Iran which shall proceed to render activities for marketing and gathering of economic data and information in Iran for the holding company, without having the right to enter into a transaction in Iran, and which shall collect amounts from the holding company in order to meet the relevant expenses and its financial requirements, shall not be liable to income tax.

Note 4: In cases where foreign contractors shall assign, either totally or partially, to Iranian legal entities acting as sub-contractors, the contracts mentioned in Clause (a) of Article 107, equal to the amount which is allocated in the original contract for the supply of equipment and accessories, and which shall be expended by the sub-contractor for the procurement of equipment and accessories, shall be exempt from payment of income tax due by the original contractor.

Note 5: The taxable income of the activities mentioned in Clause (a) of Article 107 of the present Act, concerning which contracts shall be concluded as of the, beginning of Iranian year 1382 (March 21, 2003), shall be assessed in conformity with the provisions made in Article 106 of the present Act. Accordingly, the provisions made in the present Note 5 shall not apply to the activities which shall be rendered in connection with the contracts concluded before the beginning of Iranian year 1382 (March 21, 2003).

Article 108: In the case of reserves on which tax shall not have been paid by the date on which the present amendment shall take effect, if they shall be divided or transferred to capital account, such reserves shall not be liable to taxation. However, if such reserves shall be divided or transferred to profit/loss account, or if the capital shall be reduced by the amount of the reserve added to the capital account, they shall be added to the taxable income of the year in which such reserves were divided or transferred or in which the

capital was reduced. This provision shall not apply to the reserves of profits derived from tax-free activities of the institutes during the exemption periods, and the reserves mentioned in Article 138 of the Direct Taxation Act as amended, approved on February 21, 1988 up to the date of approval and ratification of the present amendment, after the relevant requirements prevailing up to the said date shall be established.

In the case of reserves on which the applicable taxes shall have been collected by the date of indispensability of the present amendment, if such reserves shall be divided or transferred to profit/loss or capital accounts, or if the institute shall be dissolved, they shall not be liable to any other taxation.

Article 109: Taxable income of Iranian insurance institutes shall comprise as follows:

1. Technical reserve funds at the end of the preceding fiscal year.
2. Premiums received on direct insurance after deducting therefrom the rebates.
3. Premiums of the collected re-insurance policies after deducting therefrom the rebates.
4. Commissions and shares of profit in the assigned re-insurance transactions.
5. Profit accruing on the deposits of the re-insurer kept by assignor insurer.
6. The shares of profit of the re-insurers on account of indemnity paid on account of any policies other than life-insurance and redemption capitals and stipends of life insurance.
7. Other incomes.

After deducting therefrom:

1. Stamp duty paid for the policies.
2. Medical expenses incurred for life insurance.
3. Commissions paid for direct insurance transactions.
4. Premiums paid for the assigned re-insurance policies.
5. Contribution paid to the Physical Injury Compensation Fund out of the premiums received on the compulsory insurance covering the civil liability of the land motor vehicles against third party.
6. Amount paid on account of redemption, capital and stipend of life insurance and indemnity paid on account of policies other than life insurance.
7. Shares of the participation of the insured in profits.
8. Commissions and profit sharing of the insurers in the profits of the accepted re-insurance policies.
9. Interest accruing on the deposits of assigned re-insurance policies.
10. Technical reserve funds at the end of the fiscal year under consideration.
11. Other deductible expenses and acceptable depreciation.

Note 1: Various types of technical reserve funds of insurance institutes (the technical reserves funds constituting the subject-matter of Article 61 of the Act Governing the Establishment of the Central Insurance of Iran and the Insurance Activities) for each

branch of insurance, the scope and the manner of their calculation shall be in conformity with an Administrative Regulation which shall be prepared by the Central Insurance of Iran, approved by the High Council of Insurance and finally ratified by the Minister of Economy and Finance.

Note 2: Various types of technical reserves of the Central Insurance of Iran for each branch of insurance, their scope and the manner of calculation shall be determined by the General Meeting of the Central Insurance of Iran.

Note 3: In direct insurance transactions, the premiums, commissions, reduction on premiums and share of insurers in the profits and the manner of calculation thereof shall be in conformity with the regulations laid down by the High Council of Insurance.

All the items hereinabove mentioned, with the exception of commission, shall be specified in the insurance agreement.

Note 4: The items concerning the re-insurance transactions, whether accepted or assigned, shall be subject to the terms and conditions stipulated in the contracts or agreements reached between the relevant insurance institutes.

Note 5: Foreign insurance companies which shall earn any profit through re-insurance transactions with Iranian insurance companies, shall be subject to a tax at the rate of 2% of the premium they collect and the interest accruing on their deposit in Iran.

in cases where Iranian insurance companies shall be active in the respective country of a re-insurance company, and if the Iranian insurance company shall be exempt from payment of taxes on income earned through re-insurance transactions, then the foreign insurance company shall as well be exempt from taxes in Iran.

The Iranian insurance companies shall be under the obligation to withhold 2% of the amount they pay to a foreign re-insurance company covered by provisions of this Article and pay, within a maximum period of thirty (30) days, the amounts so withheld during each month to the local Taxation Affairs Administration together with a list containing the particulars of the re-insurer and the amount of the applicable premium.

Article 110: Legal entities shall be required to submit to the Taxation Affairs Administration of the place where the principal place of activity of the legal entity is situated, not later than four (4) months after the end of any fiscal year, the tax declaration, balance sheet and profit/loss account supported by the accounts books, documents, evidences and vouchers, together with a list of particulars and addresses of their partners and shareholders with the amount of participation or the number of shares of the said partners and shareholders, and to pay the applicable tax. After submission of the first list, it shall be sufficient to report changes, if any, in the following years. The place where tax declaration is to be submitted and where the taxes are to be paid by foreign legal entities and institutes domiciled abroad which have no domicile or representative office in Iran, shall be Tehran.

The provisions of the present Article shall also apply to the owners of factories and legal entities during the period of their tax exemption.

Note: Legal entities shall not be required to file separate tax declarations for their incomes concerning the tax assessment of which a different manner is laid down in conformity with the provisions of the present Act.

Article 111: The companies which shall consolidate and undergo merger through establishment of a new company or through retaining the legal entity of a company, for taxation purpose, shall comply with the following provisions:

- a. Establishment of a new company or effecting increase in the capital of the existing company, maximally equal to the amount of the registered capital of merged or consolidated company shall be exempt from payment of 0.002 (two per mill) stamp duty mentioned in Article 48 of the present Act.
- b. Transfer of the assets of merged or consolidated companies to the new company or the existing one, as the case may be, on the basis of their book value, shall not be liable to the taxation laid down in the present Article.
- c. The operations of the companies merged or consolidated into the new company or the existing one, shall not be subject to Dissolution Period Tax mentioned under income tax in the present Act.
- d. Depreciation of the assets and properties transferred to the new or existing company shall comply with the procedure and method which was in effect prior to the merger or consolidation.
- e. In cases where, as a result of the merger or consolidation, an income shall be allocated to the shareholders of the merged or consolidated company, such income shall be subject to taxation in conformity with the relevant provisions.
- f. All tax undertakings and obligations of the merged or consolidated companies shall be taken up by the new company or the existing one, as the case may be.
- g. The executive by-laws of above Article 111 shall be jointly proposed, not later than six (6) months after the date of approval of the present Amendment, by the ministries of Economy and Finance, and Industries and Mines, to be subsequently approved by the Council of ministers.

Article 112: Article 99 and the Note thereto shall apply to the contractors being legal entities, whether Iranian or foreign.

Article 113: Income tax from all foreign shipping and airways concerns shall be collected at a flat rate of 5% on all amounts received by them as passenger fare or freight on merchandise, etc., carried from Iran irrespective of whether such amounts are received, in Iran or en route or at destination.

The representatives or branch offices of the above-said concerns are required to submit to the local Taxation Affairs Administration by the 20th day of each month, a statement of their receipts for the previous month and to pay the applicable tax accordingly. The above-said concerns shall not be liable to any other payment on account of income tax on such incomes.

Should the said branch offices or representatives fail to submit the above statement in a timely manner, or if the statements submitted by them shall not correspond with actual

facts, the tax in question shall be assessed on arbitrary basis according to the number of passengers and the volume of freight handled.

Note: Where the tax applying to the income of Iranian shipping and airways companies in a foreign country shall exceed by 5% on the amount of fares collected, the Ministry of Economy and Finance shall be required, upon notification by the Iranian entity concerned, to increase the rate of tax applying to the income of shipping and airway companies of the said countries up to the amount of tax collected by tax authorities in the said countries.

Article 114: The last director or directors of a legal entity shall have joint responsibility to submit, to the respective Taxation Affairs Administration, prior to the date on which the general meeting or other competent authorities of the company shall be called to decide on the winding up of the legal entity, a declaration demonstrating the assets and liabilities as on the date of the said call. Such declarations shall be made out on special forms which shall be provided for this purpose by the State Taxation Affairs Organization.

A declaration signed at least by the authorized signatory(ies) of the legal entity and stamped (sealed) by the entity shall be valid for the Taxation Affairs Administration.

Article 115: The basis for calculation of the tax applicable to the last term of operation of a legal entity which are to be wound up and dissolved shall be the value of such entities assets less its liabilities, paid-up capital and the reserves as well as the balance of the profit on which the tax has already been paid.

Note 1: The value of the assets of legal entity shall be assessed at the sale price in respect of the items sold, and at the prices prevailing on the date of winding up and dissolution in respect of the remainder.

Note 2: In cases where, among the assets of a legal entity which is to be dissolved, there shall be an asset(s), mentioned in Chapter 1 of Book III of the present Act, or the shares, contributions or right of priority of the shares of companies, and if upon the final transfer and conveyance of such asset(s), as the case may be, they shall be subject to the regulations of Article 59 and the Notes under Article 143 of the present Act, when determining the basis for calculation of the tax applicable to the last term of operations of dissolved legal entities, the book value of the said assets shall not be included among the assets and properties of dissolved legal entities. However, an amount equal to the book value of such assets shall be deducted from the total amount of the capital and liabilities of such entities. The tax applicable to such asset(s), as the case may be, shall be calculated and claimed in conformity with the provisions made in Article 59 and the Notes under Article 143 of the present Act.

Note 3: That part of the assets and properties of dissolved legal entities which, on the date of dissolution, shall be subject to final taxes mentioned in Article 59 and the Notes under Article 143 of the present Act, shall not be liable to taxation in the first transfer taking place after the date of winding up.

Article 116: The liquidators shall be duty-bound to submit to the Taxation Affairs Administration concerned, within six (6) months after the date of winding up (i.e. the date of registration of dissolution with the Registrar of Companies), a tax declaration in

respect of the company's last term of operations drawn up and prepared in compliance with the provisions made in Article 115, and to arrange for the payment of the taxes due prior the winding up.

Note: The tax applicable to the last term of operations of the legal entities which are to be dissolved shall be calculated in conformity with Note 2 under Article 115 of the present Act, on the basis of the rates laid down in Article 105.

Article 117: The Taxation Affairs Administration shall give priority to the examination of the declarations submitted in respect of the last term of operations of a legal entity according to the provisions of this Act, and in case the said Administration shall have any objection to the contents thereof, it shall determine and notify the applicable amount of tax through the medium of a Tax Assessment Notice, within a maximum period of one (1) year from receiving the declaration, otherwise the applicable tax as given in the declaration submitted by the liquidators shall be considered as finalized. Should it transpire later on that any of the items of the legal entity's assets were not mentioned in the declaration, the tax applicable to such items as were not mentioned therein shall be demanded within the respite mentioned in Article 118 of this Act.

Article 118: It shall not be authorized to portion out the assets of a wound up legal entity before obtaining a tax settlement certificate or giving security equal to the amount of the applicable tax.

Note: The last directors of a legal entity, in case of failing to submit the tax return mentioned in Article 114 of the present Act, or if they shall submit an untrue tax return, as well as the liquidators failing to observe the provisions laid down in Article 116 of this Act and the above Article 118, and the guarantor(s) of the legal entity and the guarantor partners (as described under the Commercial Code) and all the individuals to whom the assets of the legal entity were apportioned, commensurate with their share of the legal entity's assets, shall be jointly and severally liable for the payment of the tax and the fines applicable to the legal entity, provided that the tax shall be claimed within the period of respite laid down in Article 157 of the present Act, beginning as of the date of publication of the winding-up notice through the Official Gazette.

Chapter 6: Incidental Income (Windfall Earning) Tax

Article 119: The income earned in Iran in cash or in kind by any natural person or legal entity gratuitously in the nature of award or under any other title, shall be liable to tax on incidental income at the rates stipulated in Article 131 of the present Act.

Article 120: The income liable to taxation under the present Chapter shall consist of 100% of the income earned, and in the case of non-pecuniary income, it shall be assessed according to the provisions of the present Act at the rate prevailing on the day the income shall be earned, excluding such property for which transactional value had already been fixed under the terms of Article 64 hereof, in which case the transactional value shall be taken as the basis for tax assessment purpose.

Note: In case of settlement against consideration (exchange) and donation against consideration, except for instances enumerated in Article 63 hereof, the income liable to tax under this Chapter shall be the difference between the value of the objects of

transaction as determined according to the Provisions of this Article and considered to be earned by the party profiting by the transaction.

Article 121: Settlement against consideration (exchange) with the option to cancel and revocable donations shall, for the purpose of taxation, be deemed to be final transfer. However, should a cancellation, termination by mutual consent or revocation take place within six (6) months from the effective date of the transaction, any amounts collected as tax under this Chapter shall be refundable.

If in such cases, any profits shall accrue to the transferee during the interim between the execution of the transaction and the date of cancellation, termination by mutual consent or revocation, the transferee shall be subject to tax in respect of the profits thereof.

Article 122: in the case of settlement of a property, whose profits shall be granted for life or for a specific period on the grantor or some third party, the value of the property in question, assessed on the basis of the aggregate value of the property itself and the profit on the date, shall be the basis of tax liability for the grantee on the above date.

Note: Should any transfer take place before profits accrue, the value of the property as indicated on the deed of such transfer shall be taken as the basis for taxation to which the transfer shall be liable, as provided for in this Chapter. However, the basis for assessment of taxes applying to the last party to whom the property shall be transferred and who as well shall receive the profits accruing on the property shall consist of the difference between the price of the property under the above ruling and the sum which the transferee shall pay as mentioned in the deed of transfer.

Article 123: In cases where the profits of a property shall be transferred gratuitously on temporary or permanent basis to anybody, such transferee shall pay the tax applicable to the profits of each year in the following year.

Article 124: Property transferred to certain persons under a will, as far as a will is legally effective, shall, after the will shall become definite, be liable to taxation. In the case of heirs, the said property shall be added to their inheritance and the total sum shall be subject to taxes on inheritance. In the case of other persons, the entire property shall be liable to taxation under this Chapter.

Article 125: The regulations of this Chapter shall not apply to any transfer which shall be subject to provisions of taxation under the Chapter of death duty (inheritance tax).

Article 126: Persons earning income who fall under this Chapter, shall be required to file with the local Taxation Affairs Administration a tax declaration containing the details of their profits subject to Article 123 above of each year by the end of the month of Ordibehesht (April 21-May 21) of next year and in other instances within thirty (30) days after the date of earning the income or profit and pay the applicable tax. It shall not be required to file a tax return in case of transactions carried out through notaries-public for which taxes are collected.

Article 127: The following incomes shall not be subject to taxes on incidental income:

a. Gratuitous allowances in cash or in kind given by charity or benevolent organizations, ministries, government organizations and companies, municipalities, or organs of the

Islamic Revolution to the individuals, except for cases which are subject to taxation under the Chapter pertaining to salary tax.

b. Sums or financial aids donated to victims of war, earthquake, flood, fire or other acts of nature.

c. The bonus paid by the Government to promote exports or the production and purchase of agricultural produce.

Note: Executive criteria for implementation and enforcement of Clauses (a) and (b) shall be drawn up by the ministries of Economy and Finance and the Interior.

Article 128: The taxable income of legal entities earned as incidental income shall be assessed through examination of the accounts books of legal entities. The taxes which shall be paid at source according to provisions of this Chapter shall be considered to be on account of the taxes of the said taxpayers.

Chapter 7: Tax on Aggregate Income Earned Through Various Sources

Article 129: Deleted.

Article 130: The past liabilities mentioned in Articles 3 to 16 and Note 3 under Article 59 as well as Article 129 of the Direct Taxation Act as amended approved on February 21, 1988 shall not be claimed and collected.

Note: The Ministry of Economy and Finance shall be authorized to exempt, either totally or partially, the payment of tax liabilities on the incomes which have been earned or which date back, as the case may be, to the years before the Iranian year 1368 (1989), maximally up to the amount of Rls.1,000,000 (one million rials) for every taxpayer in the regions and areas where it shall be deemed expedient and appropriate.

Article 131: The tax rates on the income of natural persons, excluding the instances for which a separate rate has been provided in conformity with the provisions made in the present Act, shall be as follows:

Amount of (Annual)

Taxable Incomes	Taxation Rates
Up to Rls.30,000,000	15%
UP to Rls.100,000,000	20% on sums in excess of Rls.30,000,000.
UP to Rls.250,000,000	25% on sums in excess of Rls.100,000,000.
Up to Rls.1,000,000,000	30% on sums in excess of Rls.250,000,000.
Over Rls.1,000,000,000	35% on sums in excess of Rls.1,000,000,000.

Book IV: Sundry Provisions

Chapter 1: Exemptions

Article 132: The declared income resulting from industrial production and mine activities by the industrial production units and mine exploitation entities affiliated with the private and cooperatives sectors to which exploitation permits shall be issued or with which exploitation and sale contracts shall be concluded, as of the beginning of Iranian year 1381 (March 21, 2002), by the ministries concerned, shall be tax exempt up to the maximum amount of 80% for a period of four (4) years in less-developed regions, and up to 100% of the tax prescribed in Article 105 of the present Act for a period of ten (10) years.

Note 1: For the remaining period of implementation of the Third Economic Social and Cultural Development Plan of Islamic Republic of Iran, and upon commencement of implementation period of subsequent development plans, a list of less-developed regions shall be prepared and drawn up by the State Management and Planning Organization and the ministries of Economy and Finance; and Industries and Mines, to be subsequently approved by the Council of Ministers.

Note 2: The tax exemptions set forth in the above Article 132 shall not apply to the incomes of industrial and mine exploitation entities/units, located within a radius of 120 Km from the center of Tehran, 50 Km from the center of Isfahan and 30 Km from the center of the provinces and the cities with more than 300,000 of population, on the basis of the latest census carried out, excluding the industrial townships located within a radius of 30 Km from the center of the said provinces and cities.

Note 3: The traveling and tourism institutes to which exploitation permits have been issued by the Ministry of Culture and Islamic Guidance shall be exempt from the payment of 50% of the tax applicable per annum.

Note 4: The criteria governing determination of the date of commencement of exploitation by the tax-exempt entities and units mentioned in Article 132 above, as well as demarcation and specification of the boundaries mentioned in Note 2 under the present Article shall be laid down and duly notified by the ministries of Economy and Finance, and Industries and Mines.

Article 133: 100% of the income earned by rural, tribal, agricultural, Fishermen, labor, employees, university, and school students cooperatives, and unions shall be exempt from taxation.

Note: The government shall return and deposit, in the account of Iran Rural Cooperatives Headquarters (IRCH), an amount equal to the income tax applicable to the portion of the profit which shall be declared by IRCH and which shall be allocated, upon the approval of its general meeting of shareholders, for investment in rural cooperatives companies. The government shall do so, utilizing the credit allocations mentioned under an Item Number specifically stipulated for the same purpose in the National Budget Bill, only after having collected the said tax, and after having deposited the same in the Public Revenues Account.

Article 134: The income earned through training and education given by non-profit schools, including primary, guidance, secondary, technical and vocational schools, non-

profit universities and higher education institutes, as well as the income earned by the rehabilitation centers and institutes in charge of the mentally-handicapped and physically-disabled individuals, to which the relevant permits and authorizations have already been issued by the forums and authorities concerned, as the case may be, and the income of athletic institutes and sports clubs, with their authorizations and licenses issued by Iran Physical Training Organization, which may be earned exclusively through athletic activities, shall be exempt from tax.

The executive by-laws of the present Article 134 shall be proposed by the Ministry of Economy to be approved by the Council of Ministers.

Article 135: Deleted.

Article 136: Amounts paid out by insurance companies as life insurance moneys to the beneficiaries under duly signed contracts shall be exempt from payment of tax.

Article 137: Medical treatment expenditures incurred by any taxpayer on the treatment of himself, his dependents, wife, children, father, mother, brother and sister in any fiscal year as well as the insurance premium paid by any natural person to Iranian insurance companies and institutes for the life and medical treatment policies shall be deductible from the taxpayer's taxable income, provided that the recipients of such medical treatment expenses, in case they are hospitals or physicians domiciled in Iran, duly certify the receipt thereof. Also in cases where medical treatment has taken place outside Iran due to lack of facilities, as certified by the Ministry of Health, Medical Treatment and Education, payment of treatment expenses shall be certified by either the officials of the government of the Islamic Republic of Iran in the country where the medical treatment has taken place or the authorities of the Ministry of Health, Medical Treatment and Education.

Concerning the physically-disabled and mentally-retarded individuals, as well as the patients suffering from rare and incurable ailments, further to the expenses and costs mentioned above, the expenditures incurred for their rehabilitation shall be deductible from the taxable income of the same individual or the person who has undertaken to take care of such patients or handicapped persons.

Article 138: Such portion of the declared profit of private and cooperatives companies which shall be utilized either for the development, reconstruction, renewal or completion of the existing industrial and mine exploitation entities/units, or the establishment of new industrial and mine exploitation entities/units during a fiscal year, shall be exempt from payment of 50% of the tax laid down in Article 105 of the present Act, provided that they shall manage to obtain from the ministry in charge, the prior authorization for development, completion or establishment of the new industrial or mine exploitation entities/units in the form of investment projects. In cases where either the costs and expenses for the implementation of the said project(s) in a year shall exceed the amount of the profit declared for the same year, or if such expenses shall be less than the expenditure of investment project, the company shall be authorized to benefit from the said exemption when assessing the tax on declared profit of the subsequent years, maximally for period of three (3) years and equal to the amount in excess of the balance of the cost of full implementation of the project.

Note 1: If, prior to completion of the project, the company shall proceed to suspend the implementation of the project, or if the company shall fail to attain the exploitation phase of the project, within one (1) year after expiry of the period of respite stipulated in the investment project, or if, within five (5) years after commencement of exploitation of the project, the company shall proceed to dissolve or transfer or close it down, the company shall be liable to pay an amount equal to the tax exemptions stipulated in the present Article 138 for implementation of the project, as well as the fines and penalties mentioned in Article 190 of the present Act.

Note 2: The new industrial units which shall be set up and entitled to benefit from the tax exemption granted under this Article cannot benefit from exemption laid down in Article 132.

Note 3: In case the factories falling within the conduit area of the City of Tehran whose employees are not less than 50 in number, move their total installations beyond 120 kilometers of the radius of Tehran, they shall be exempted on the proceeds derived from the relative activities for a period of ten (10) years beginning as of the commissioning date thereof in the new location, in compliance with the rules which shall be drawn up in this connection, as the case may be, by the Ministry of Economy and Finance and the ministry concerned.

Note 4: From the standpoint of the present Act, the conduit area of Tehran shall comprise the western conduit of the river Hableh and the river Garmsar and the eastern conduit, the river of Ziyaran and the entire conduit districts of the rivers Damavand, Jajrood, Darabad, Darband, Evin, Farahzad, Klan, Karaj and Kordan and its boundaries are as follows:

On the north, the straight line of the mountains of Alborz, the waters of which fall into the central Kavir (desert); on the east, the western bank of the river Hablah Rud Garmsar, on the west, the western bank of the river Ziyaran. On the south, the line running from west to east from intersection point of the river Ziyaran and the river Shoor continued to the deepest channel of the Daryacheh Namak (Salt Lake) leading to the west to the intersection point of the stream course of Hablah Rud Garmsar.

Article 139:

a. The endowments, oblations, dedications, aids, gifts and charities, both in cash or in kind, donated to the Holy Shrine of Imam Reza (AS), Holy Shrine of Abdul Azim Al-Hassanian (AS), Holy Shrine of Hazrat-e Masoumeh, Holy Shrine of Ahmad Ibn-e Mousa (AS) (Shah-e Cheragh), Holy Shrine of Imam Khomeini, the mosques, any other holy shrines and the like shall be exempt from payment of tax. The Endowments and Benevolent Affairs Organization shall, to this end, duly specify the holy shrines.

b. The financial aids and gifts in cash or in kind, donated to the Red Crescent Society of Islamic Republic of Iran shall be tax exempt.

c. The financial aids and gifts in cash or in kind, donated to the retirement pension funds, Medical Treatment Insurance Organization and the Social Security Organization (SSO), as well as the employers' and employees' share of insurance and retirement premiums, and the fines and penalties collected by the said organizations shall be tax exempt.

- d. The financial aids and gifts in cash or in kind, donated to Islamic Sciences Schools shall be tax exempt. However, such schools shall be duly specified by Qum School of Theology Management Council.
- e. The financial aids and gifts in cash or in kind, donated to Islamic Revolution institutions shall be tax exempt. However, such institutions shall be duly specified by the Council of Ministers.
- f. Such portion of the income earned by the State Fund for Development of Endowments, which shall be utilized for the development of endowments shall be tax exempt.
- g. The incomes earned by legal entities or natural persons utilizing the credits of benevolent contributions and charities of Vali-e-Faghih as well as Khoms (i.e. 1/5 of what is left over from the earning of an individual at the end of his fiscal year) and Zakat (religious tax, poor-rate or alms as prescribed by Islam) shall be tax exempt.
- h. Such portion of the income derived from public endowments which, in conformity with the principles of Shari'a shall be utilized in connection with affairs including Islamic propagation, cultural, scientific, religious researches, discoveries, inventions, education and training, health and medical treatment, construction, repair and maintenance of mosques, theology schools, Islamic sciences schools, government schools and universities, Moharam mourning ceremonies, public feeding of the poor (Et'aam), repair of archeological buildings, development affairs, tuition fees and educational loans to university and high school students, payment of financial aids to the oppressed and those damaged in the course of force majeure incidents such as floods, earthquakes, blazes, wars and unprecedented events, shall be exempt from payment of taxes, provided however that such incomes and expenditures shall be duly confirmed by the Endowments and Charity Affairs Organization.
- i. The financial aids and gifts in cash and in kind, donated to the registered charity and benevolent organizations shall be exempt from payment of tax, provided that such incomes shall be utilized, as per their articles of association, in connection with the affairs mentioned in Clause (h) above amid that the State Taxation Affairs Organization shall exert supervision and control over the incomes and expenditures of such organizations.
- j. The financial aids and gifts in cash and in kind, as well as the subscription fees of the members of guilds, vocational associations, parties, non-government societies and organizations which have already obtained the required authorizations from the forums and authorities in charge, and the sums which shall be deducted from the subscription fee paid by their members and which shall subsequently be deposited in the account of the said entities, in conformity with the relevant rules and regulations, shall be tax exempt.
- k. The endowments, financial aids and the gifts, both in cash and in kind, donated to religious societies and boards established by religious minorities mentioned in the Constitution of Islamic Republic of Iran, shall be exempt from payment of tax, provided that the facts and circumstances in connection with the official recognition of such religious minorities, societies and boards shall be confirmed by the Ministry of the Interior.

l. The publication, press, journalistic, cultural and artistic activities which shall be carried out and performed by virtue of the authorizations and permits issued by the Ministry of Culture and Islamic Guidance, shall be exempt from payment of tax.

Note 1: The sums which shall be earned by the legal entities mentioned in Article 139 above, with the purpose being to attain the objectives and aims of such entities, through non-profit activities including offering training and educational courses, holding seminars, publication of books and periodicals, etc., and which shall be earned in compliance with their articles of association, shall be exempt from payment of tax, provided that the State Taxation Affairs Organization shall duly exert control and supervision over their incomes and expenditures.

Note 2: The provisions made in Note 2 under Article 2 of the present Act shall apply to the taxable income of the legal entities mentioned in Article 139 above.

Note 3: The executive by-laws of the present Article 139 shall be prepared by the State Taxation Affairs Organization and shall be proposed by the Ministry of Economy and Finance, to be subsequently approved by the Council of Ministers.

Note 4: As for the instances and cases concerning which prior authorizations/permissions have been given by the Late Imam Khomeini or the Supreme Leader of Islamic Revolution, the provisions made in Article 139 above shall be approved by the Supreme Leader.

Article 140: Deleted.

Article 141:

a. 100% of the income earned through export of finished industrial products as well as the products of the agriculture sector (including farm and orchard produces, livestock and poultry, fishery products, forest and pasture products) and those of conversion and complementary industries, as well as 50% of the income earned through the export of other commodities whose export shall contribute to the achievement of national objectives relating to the promotion of non-oil exports shall be exempt from taxation. The list of commodities which shall be subject to the present Article, during the implementation period of each and every Development Plan, shall be prepared upon a proposal by the ministries of Economy and Finance, Commerce, Agriculture, Construction Jihad and the industrial ministries, and shall subsequently be approved by the Council of Ministers.

b. 100% of the income earned through the export of various goods and commodities which have already entered or shall enter into Iran on transit, without making any changes therein or without any process or work performed thereon, shall be tax exempt.

Note: The loss and damage sustained from the export of goods exempted from taxation, shall not be included in the assessment of tax applicable to other activities by the natural persons or legal entities who shall also be engaged in activities other than export affairs.

Article 142: The income earned by workshops engaged in the production of hand-knitted carpets and handicrafts as well as that of cooperatives companies and the related unions shall be exempt from payment of tax.

Article 143: The companies whose stock, under the relevant laws and regulations, shall be accepted by the Subscription Board for Transaction in Stock Exchange, shall be exempt from payment of 10% of the applicable tax, beginning as of the year of their subscription until the year in which their names shall not yet be deleted from the Stock Exchange Daily Official List, provided that all transfers of shares shall be made through the commission agents of the Stock Exchange and that such transfers shall be duly registered in the relevant books.

Note 1: A fixed tax rate equal to 0.5% of the sale price of the shares and shares priority right shall be collected out of each transfer of share of the companies in the Stock Exchange as well as other negotiable instruments which shall be negotiated in the Stock Exchange. Accordingly no other sum shall be charged on this account as the income tax in respect of the transfer of shares.

The Stock Exchange commission agents shall be required to collect the related tax from the transferors at the time of each transfer and deposit same in an account specified by the State Taxation Affairs Organization, and send the receipt thereof along with a list showing the number and the amount of sale of the transferred shares to the Taxation Affairs Administration, within ten (10) days after the date of transfer.

Note 2: A fixed tax rate equal to 4% of the par value of the shares, contributions, shares priority right and contribution of the shareholders in other companies shall be collected each time they shall be transferred. No other sum shall be claimed on the account of income tax in respect of transfer. The transferors of stocks, contributions and shares priority right shall be required to deposit the applicable tax in the account of the State Taxation Affairs Organization, prior to such transfers.

The State Organization for Registration of Deeds and Estates as well as notary publics shall be required, upon registration of the changes or drawing up of deeds of transfer, as the case may be, to collect the relevant tax payment certificate and attach same to the relevant file.

Note 3: As for the joint stock companies accepted to the Stock Exchange, the reserve on the stock shall be subject to a fixed tax rate of 0.5%, consequently, no tax shall be applicable to such income. The companies shall be required to deposit, within thirty (30) days after the date of registration of the capital increase, the said tax in the account of the State Taxation Affairs Organization.

Article 143 (BIS): Deleted.

Article 144: The moveable dowry and the marriage portion, both moveable and immovable, as well as scientific awards, scholarships and the income earned through sale of inventions or discoveries by scientists in general, and also the income earned through research activities of the centers possessing a research license from the competent ministries, shall be exempt from payment of tax for a period of ten(10) years beginning as of the date of enforcement of the present Amendment, in conformity with the criteria stipulated in the by-laws which shall be jointly proposed by the ministries of Science, Research and Technology; Health, Medical Treatment and Education; and Economy and Finance, to be subsequently approved by the Council of Ministers.

Article 145: The profit received in the following instances and under any title shall be exempt from tax payments:

1. Profit accruing on deposits concerned with the pension and saving funds, contributions of staff, employees and workers with Iranian banks. within the limits laid down under the employment regulations of their respective institutions.
2. Profit or bonus accrued on fixed deposit accounts and/or saving accounts with Iranian banks or authorized non—bank credit institutes. This exemption shall not apply to the deposits that banks and authorized non-bank credit institutes place with one another.
3. Bonus accrued on government debentures and bonds as well as treasury bonds.
4. Interest paid by Iranian banks to banks abroad on overdrafts and fixed deposits on condition of the reciprocal treatment.
5. Profit and bonus accrued on contribution bonds.

Note: In the instances where in the present Direct Taxation Act, a reference is made to the banks, the facilities, concessions, privileges, preferences, and the duties mentioned shall also apply to the non-bank credit institutes which were or shall be established in conformity with either the relevant laws and regulations or the authorizations granted by the Central Bank of Iran.

Article 146: All time-based exemptions which are currently observed in accordance with former tax laws and regulations, shall continue to remain in force up to the date of their expiry, with due regard to the applicable laws and regulations.

Note: The interest payable on Land Reform Bonds shall continue to be tax exempt.

Chapter 2: Deductible Expenses and Depreciation Charges

Article 147: For the purpose of assessing the amount of taxable income, deductible expenses, as set forth under the provisions of the present Act, shall consist of such expenditures as are to a reasonable extent supported by documents and are exclusively connected with the earning of income during the fiscal year in question, in due compliance with the prescribed limits. An expenditure which is not provided for in the present Act or is higher than the limits provided herein, but payment thereof has been effected in accordance with the Law or pursuant to a decree by the Council of Ministers, shall be deductible.

Note: For the purpose of the provisions set forth in the present Chapter, by “institute”, it is meant the natural persons, legal entities as well as the artisans mentioned in Clauses (a) and (b) of Article 95 of the present Act.

Article 148: Such expenses as meet the requirements mentioned in above Article 147 shall, as detailed hereunder, be considered as deductible items for tax purposes

1. The purchase price of goods sold and/or the cost of consumables used in the goods sold or in the services rendered.
2. Personnel expenses commensurate to the services rendered by personnel on the basis of employment regulations of the institute as follows:

a. Basic salaries and wages and recurring benefits in cash or in kind (benefits in kind on the basis of their cost price for the employer).

b. Non-recurring benefits, both in cash and in kind, such as provisions, alimentation and utility benefits, allowances, new year bonus, overtime pay, and traveling expenses.

The limits for traveling expenses of directors, inspectors and personnel abroad, in order to meet the requirements of the institute, shall comply with the regulations which shall be drawn up by the Ministry of Economy and Finance and the State Management and Planning Organization, and which shall subsequently be approved by the Council of Ministers.

c. Hygiene and medical treatment expenses and the premiums of hygiene, life and work-related accident insurance of personnel.

d. Retirement and dependents' pension, stipend, service severance benefits, in conformity with the employment regulations of the institute concerned, dismissal compensation and severance compensation, in excess of the balance of the relevant reserve, in conformity with the statutory laws.

e. Amounts contributed to the Social Security Organization (SSO), in conformity with the relevant regulations, and up to 3% of the annual salary on the account of personnel saving, as per the regulations which shall be proposed by the State Taxation Affairs Organization, to be approved by the Minister of Economy and Finance.

f. An amount equal to one (1) month latest salary and wage as well as the difference resulting from the adjustment of the salary paid during the preceding years which shall be reserved in order to provide the pension, stipend, severance pay, dismissal compensation and severance compensation of the personnel recruited with the institute. The same provisions shall also be applicable to the reserves which have been deposited in bank accounts to date.

3. Rental of the institute's premises, if the place shall be rented. The amount of the rental shall be the same as indicated in the notarized lease agreement, and in case there shall be no lease agreement, then the amount of the rental shall fall within the normal range.

4. Rental of the institute's machinery and equipment, if they shall be rented.

5. Charges for fuel, electricity, lighting, water supply, communication and transportation.

6. The sums and premiums paid on the account of the insurance relevant to the operations and assets of the institute.

7. The royalties paid by the institute, and such charges, duties, and taxes as are paid to the municipalities or to the government on account of the institute's activities (excluding the income tax and its supplements and any other taxes which the institute shall be required, under the provisions of the present Act, to deduct from other parties and pay on their behalf, as well as any fines and penalties paid to the government or to the municipalities).

8. Cost of researches, experiments, tests, training and educational activities relevant to the operations of the institute, purchase of books, periodicals, compact discs (CDs), the costs and expenses incurred for marketing, advertisement and exhibition halls in connection with the operations and activities of the institute, in conformity with the regulations

which shall be proposed by the State Taxation Affairs Organization, to be subsequently approved by the Minister of Economy and Finance.

9. The expenditure relevant to the compensation for damages caused in connection with the operations and assets of the institute, provided:

Firstly, that the occurrence of the damage shall definitely be established;

Secondly, that the nature and extent of the damage shall be determined, and

Thirdly, that under the provisions of the Law or an agreement, the responsibility to compensate the damage shall not rest with any other party and in any way, such damage has not been compensated by other parties, one way or other.

The regulations on the establishment and satisfaction of the above triple conditions stipulated in Clause 9 above shall be proposed by the State Taxation Affairs Organization, to be subsequently approved by the Minister of Economy and Finance.

10. Cultural, athletic, sports and welfare expenses of the workers payable to the Ministry of Labor and Social Affairs up to Rls.10,000 per one worker.

11. Reserves set aside against doubtful accounts, provided that,

Firstly, such accounts shall be connected with the operations of the institute,

Secondly, that there shall exist strong likelihood that it shall not be recovered, and

Thirdly, that the amount thereof shall be entered under a special heading in the accounts books of the institute until such time when the claim shall either be recovered or be definitely considered as unrecoverable.

The regulations pertaining to Clause 11 shall be proposed by the State Taxation Affairs Organization, to be subsequently approved by the Minister of Economy and Finance.

12. The amount of loss sustained by natural persons or legal entities which shall be established through examination and review of their accounts books and in conformity with the provisions of the Law, shall be liable to amortization against the incomes to be earned in subsequent year(s).

13. Petty expenses relevant to the maintenance and up-keeping of the institute's premises, normally borne by the lessee, where the premises shall be a leased one.

14. Petty expenses relevant to the maintenance and up-keeping of the premises of the institute, where they shall be owned by the institute.

15. Forwarding and transportation expenses.

16. Taxi services, transportation charges as well as the charges relevant to transport of goods, personnel refreshments and warehousing.

17. Fees paid out commensurate with the services rendered such as brokerage, lawyers' fees, consultation fees, attendance fees, auditors' fees, administrative and fiscal services and inspection fees, the fees and expenses relevant to development of the software, design and establishment of computerized systems required by the institute, as well as other expert fees in connection with the operations of the institute, and legal inspectors' fees.

18. Profit and charges paid or allocable, for performance of operations of the institute, to the banks, Cooperatives Fund as well as authorized non-bank credit institutes.
19. Cost of office supplies and such equipment as are consumed within a year's time.
20. Cost of maintenance and repair of machineries and equipment, and cost of replacement which are not considered as thorough overhaul.
- 21 . Cost of exploration of mines not resulting in production.
22. Membership and subscription fees relating to activities of the firm.
23. Bad debts, provided that the taxpayer concerned can furnish proof therefor, in excess of the balance of doubtful accounts reserve.
24. Loss sustained due to rate of exchange on the basis of normal accounting practice provided that the taxpayer applied a similar procedure throughout different years.
25. Normal production wastes.
26. Reserves set aside for such deductible expenses as relate to the fiscal year concerned.
27. Acceptable expenses related to the previous years whose appropriation or payment become due in the fiscal year concerned.
28. The expenses relevant to the procurement of books, text books and other cultural-artistic materials for the personnel and their dependents, maximally equal in amount to the 5% tax exemption mentioned in Article 84 of the present Act per one person.

Note 1: Other expenses which are not specified in this Article and which are not considered as costs incurred by a firm for earning income, shall be considered as a part of deductible expenses, subject to the proposal of the State Taxation Affairs Organization and approval of the Minister of Economy and Finance.

Note 2: Directors and stockholders of legal entities shall be considered as personnel in case they shall have a salaried position in the firm concerned. However, in firms which are not considered to be legal entities, the salary and wages of the owner of the firm and his dependent children and spouse shall not be considered as deductible expenses, with the exception of traveling expenses and traveling allowances. Such expenses and allowances shall be subject to provisions of Paragraph (b) of Clause 2 of this Article.

Note 3: When assessing the taxable income of cooperatives companies and unions, the reserves mentioned in Clauses 1 and 2 of Article 50 of the Law on Cooperatives Companies as Amended, approved in June 5, 1971 (16.3.1350) and that of the companies and unions which have already adapted or shall proceed to adapt their legal status with the provisions made in the Law on the Cooperatives Sector of the Economy of Islamic Republic of Iran, approved in September 3, 1991, the reserve mentioned in Clause 1 as well as the cooperation and training premium, mentioned in Clause 3 of Article 25 of the latter law shall be considered as deductible expenses.

Article 149: When assessing the taxable income, the depreciation of assets, pre-incorporation and capital expenses shall be calculated with due observance of the rules laid down hereunder:

1. That part of the fixed assets which, regardless of price fluctuations, is liable to decline in value resulting from wear and tear, lapse of time (absoluteness) or other causes, are subject to depreciation.

2. The basis for depreciation is the cost price of asset concerned.

3. Depreciation shall be calculated as from the date any depreciable asset is held at the disposal of the firm in a usable condition. Where a depreciable asset, with the exception of movie films imported from abroad which shall be depreciable with the first screening of the film, has been held at the disposal of a firm during the month, the depreciation thereon shall not be calculated for the whole of that month.

In the case of factories, the period of test-run shall not be considered as the period of operation of the factory.

4. Expenses incurred for the establishment of the firm such as registration fee, consultation fees and other similar expenses and the expenses in excess of income derived during the period prior to commencement of operations (test-run), except in cases which shall be specifically enumerated in the Schedule prescribed under Article 151 hereof, shall be written off in equal yearly amounts divided over a maximum period often (10) years beginning as of the date of commissioning of the firm.

5. In the event of any loss being sustained by a firm as result of selling away some depreciable asset or having some machinery and plant rendered unfit for further use, the resultant loss representing the still undepreciated portion of the asset, less the proceeds of the sale (if sold), shall be debited as a lump sum to the firm's profit and loss account for the same year.

Note: When assessing the taxable income of the producers of Iranian movie films that are produced in Iran, the cost price of the film shall be taken as basis for computing their taxable income for the first year of screening; and if the income derived from the film should prove inadequate, the taxable income shall be assessed in subsequent years.

Article 150: Depreciation shall be calculated in the under-mentioned manner:

a. In the case of items for which specific rates shall be determined in the Schedule prescribed under Article 151 of this Act, the rates shall be fixed, and for each year they shall apply to the difference between the initial cost price of the items less the amounts of depreciation charges on the item in the previous years.

b. In instances where a definitive period of time will be designated under the Schedule mentioned in Article 151 of this Act, depreciation charge shall be calculated on the basis of the prescribed period and deducted from the cost price in equal yearly portions.

Note 1: Expenses incurred in connection with total replacement or overhaul of depreciable assets shall be added to the cost price of such assets.

Note 2: institutes shall be authorized to amortize, maximally within a Period of five (5) years, their software expenditures.

Note 3: The institutes shall be authorized to amortize, at the rate twice the rate or in the period of time one half of the amortization period stipulated in amortization schedule prescribed under Article 151 of the present Act, such portion of their fixed assets liable to

amortization which shall be procured for either reconstruction, replacement, development, expansion or completion of their production lines.

Note 4: When capital renting the fixed assets being liable to amortization, the manner of registering amortization expenses in the accounts books of the parties to a transaction shall comply with accounting standards and criteria.

Article 151: The Schedule of depreciation charges on the basis of approved criteria, shall be prepared by the State Taxation Affairs Organization and shall be put into effect after approval and ratification of the same by the Minister of Economy and Finance.

Chapter 3: Tax Assessment Indications and Coefficients

Article 152: Tax Assessment Indications shall be such factors as are employed, when making assessments on a direct basis, to determine the amount of taxable income of each line of business or profession with due regard to their particular situation. Such factors are as listed hereunder:

1. Annual purchases
2. Annual sales
3. Gross income
4. Volume of production for factories
5. Value of transfer of the place of business
6. Total amount of receipts by notaries-public as fees for recording and registration, collection of taxes, duties and charges, or the amount of stamp used by them.
7. Other factors as determined by the Coefficient Council

Article 153: Coefficients for assessment of taxable income are certain specific figures, which in instances of arbitrary assessment of tax, shall be multiplied by the above Tax Indication in order to obtain the amount of taxable income.

Note: Where Coefficient is applied to several Tax Indications, the average of the products obtained by such multiplication shall constitute the amount of taxable income.

Article 154: The Schedule of Coefficients for assessment of taxable income shall be drawn up and notified in the following manner:

- a. In order to determine the coefficients, a committee shall be formed every year at the State Taxation Affairs Organization, composed of the representatives of the State Taxation Affairs Organization, the Central Bank of Iran, the Union of Guilds in the case of guilds, a representative of the Medical Disciplinary Board in the case of professions relating to medicine and also a representative from the Chamber of Commerce, Industries and Mines in the case of other professions. This committee shall determine with due regard to the trends of business and economic conditions, the coefficients for Tehran Taxation District, indicating severally the coefficient applicable to each of the taxpayers mentioned under Article 152 of this Act, according to the nature of their professions. The committee shall submit such itemized schedule to the State Taxation Affairs Organization as “the Schedule of Coefficients” enforceable in Tehran Taxation District.

b. The Schedule mentioned under Clause (a) above shall be sent to the provincial Taxation Affairs Administration by the State Taxation Affairs Organization.

Immediately after receipt of the above schedule, a committee shall be set up which shall be composed of the head of the provincial Taxation Affairs Administration, the manager of Bank Melli Iran, the representative of Chamber of Guilds in case of guilds, a representative of the Medical Disciplinary Board in case of professions relating to medicine and the representative of the Chamber of Commerce, Industries and Mines in the case of other professions.

The committee in question shall take the said schedule as the basis of their studies and then in the light of the particular economic conditions prevailing in their respective taxation area shall, whenever necessary, make appropriate modifications in the Schedule figures, giving their reasons therefor.

The result of such studies by the said committees shall be sent to Tehran where they shall be examined by the State Taxation Affairs Organization which shall amend the Schedule figures to such extent as it finds the reason raised by provincial committees as convincing, and shall then notify such amended schedule to the respective provincial Taxation Affairs Administration as the Schedule of Coefficients.

Note 1: In places where the Chamber of Guilds, or the Chamber of Commerce, Industries and Mines of Iran, or the Medical Disciplinary Board does not exist, the governor shall nominate and recommend an experienced and well informed individual to participate in the Coefficient Committee instead of the representatives of the said Chambers or the Board, as the case may be.

Note 2: Presence of the representative of the State Taxation Affairs Organization or the head of the provincial Taxation Affairs Administration as well as the representative of the Central Bank of Iran (CBI) or Bank Melli Iran, as the case may be, is mandatory for the purpose of establishing the quorum of the meetings of the committee. Resolutions of the committee shall be valid and binding when they are passed by majority of votes of those present at the meetings.

Note 3: Where the coefficient of such taxable incomes falling under the provisions of this Act shall be determined and assessed arbitrarily, and there has not been envisaged any coefficient for such income in this Act or the Coefficient Schedule, such coefficient shall be determined by the local Board of Settlement of Tax Disputes (BSTD) with due regard to coefficients determined for similar professions.

Note 4: The committee shall invite the representatives of the unions of each profession or guild for giving explanations at the meetings of the Coefficients Committee.

Chapter 4: General Provisions

Article 155: The Tax Year is a solar year which begins from 1st Farvardin (21st March) and closes at the end of Esfand of the same year (20th March of the following year); but in the case of such legal entities liable to taxation whose fiscal year according to their Articles of Association does not correspond with the above tax year, their own fiscal year's income is to be taken as the basis for tax assessment, and the time-limit for

submitting their tax declaration, balance sheet and profit/loss account and also the deadline for payment of their applicable tax shall be four (4) solar months after the close of their respective fiscal year.

Article 156: The Taxation Affairs Administration shall be required to examine, within a maximum period of one (1) year after the expiry of the respite prescribed for tendering tax declarations, all the income tax declarations received within the prescribed period from the taxpayers, excluding those covered by Article 63, concerning their various sources of income, and if the Taxation Affairs Administration shall fail to issue notice of tax assessment within the above period or if they fail to serve on the respective taxpayers the said notice of assessment within three (3) months after the aforesaid one-year period, the tax declaration submitted by the taxpayer shall be considered as finalized.

If, after finalization of the declaration, or after verification and issuance and notification of the tax assessment sheet, whether such sheet has become Final or not, it shall be known that the taxpayer concerned has had some other income or concealed activities and the tax therefor has not been claimed, only the tax pertaining to the said activities may be claimed with due regard to provisions of Article 157 hereof. In this case, as well as in cases where the declaration of a taxpayer shall become final due to failure in verification thereof, the Taxation Affairs Administration shall send a copy of the assessment sheet together with an explanatory report to the Taxation Disciplinary Prosecutor within ten (10) days after the date of issue.

Article 157: In respect of those income taxpayers who have failed to submit, by the prescribed time-limit, their tax declaration to indicate their source of income, or those essentially under no obligation, under the provisions of this Act, to submit tax declaration by the prescribed due date for tax payments, their liability to taxation become statute-barred after a lapse of five (5) years from the tax payment deadline, and after the said five (5) years any tax applicable to them may not be claimed unless such taxpayer's income is duly assessed and the relevant notice of assessment issued within this period, and duly served and notified to the taxpayers within three (3) months after the expiry of the said 5-year period.

Note: In cases where the amount of a tax due has been claimed from anyone other than the taxpayer concerned, such claim shall, upon confirmation of same by the Board of Settlement of Tax Disputes (BSTD), be withdrawn no matter on what stage it may be. In this case the Taxation Affairs Administration shall be under the obligation to make a proper claim from the actual taxpayer within a period of one (1) year from the date of judgment by the BSTD without taking the date of time barring into consideration, otherwise the claim shall be time barred.

Article 158: The State Taxation Affairs Organization shall be authorized to accept the tax declarations filed within the prescribed respite without verification of the accounts books of the taxpayers concerned and only by investigating a few of the declarations which shall be picked up on random basis. Such practice shall only be permitted in full or partially with regard to certain tax sources in locations deemed appropriate by the State Taxation Affairs Organization pursuant to a notice published during the first half of each year notifying that the above procedure shall be carried out during the following year.

Article 159: Such sums that shall be paid, as the tax applying to any source of income, either directly to the account designated by the State Taxation Affairs Organization or by stamps cancelled, shall be taken into consideration when assessing and calculating the final income tax of a taxpayer, and where any sums have been paid in over and above the applicable tax amount, the excess payment shall be refundable.

Note: The State Taxation Affairs Organization shall be authorized, in the case of non-Iranian taxpayers and persons domiciled abroad, to collect the entire amount of their applicable tax and at the rates applying to the source of the income.

Article 160: For the collection of applicable tax and the relevant fines and delayed-payment interest from taxpayers or from those responsible for payment of (others) taxes, the State Taxation Affairs Organization shall have priority over all other creditors, except those having rights to property held as securities as well as workers and staff employees in respect of amounts due to them on account of their services. The regulations of the latter part of this Note shall not be preventive of collection of tax applying to transfer of the property held as security.

Article 161: In cases where a taxpayer's tax is yet to be finalized or the executive proceedings are yet to be completed, and if it shall be feared that the taxpayer will waste the property concerned in order to evade tax payment, the Taxation Affairs Administration shall request the Board of Settlement of Tax Disputes (BSTD), presenting adequate proof, to issue a garnishment (attachment) order for collection of tax, and where the BSTD shall find the issue of such an order necessary it shall indicate the amount to be attached and issue the order accordingly.

The Taxation Affairs Administration shall then be required to levy distresses, to the extent of the said amount, on any of the taxpayer's property or funds that may be in the latter's possession or in the possession of third parties. In such cases the taxpayer and/or the third parties, after a notice in writing shall be served on them by the Taxation Affairs Administration, shall not be authorized to dispose of such attached property held in their possession unless they furnish guarantee equivalent to the amount demanded, and in the event of default, they shall be held responsible for the payment of the amount of taxes demanded in addition to being subject to the punishment provided under Note 2 of Article 199 of this Act.

Article 162: In cases where several persons shall be responsible for payment of tax, Taxation Affairs Administrations shall have the right of recourse against all such persons collectively or to each one severally in order to collect the tax amount, and the fact of making demand From any particular one of these shall not preclude the right of recourse to the others.

Article 163: The State Taxation Affairs Organization shall be authorized to require of those taxpayers where their taxes shall not be deducted and paid at the time the income shall be accrued, either wholly or partially, to pay on account during each year the tax for the same year on pro rata basis of the last income tax figure fixed for them during the previous years or according to the volume of their activities during that fiscal year. If they fail to pay, the tax on account shall be collected according to the regulations of this Act.

Article 164: The State Taxation Affairs Organization shall arrange, with a view to facilitating payment of tax and saving taxpayer's repeated visits to the Taxation Affairs Administration, to open, through the Central Bank of Iran, a special account with Bank Melli Iran so that taxpayers may be able to call at the respective counters or branch offices of the said Bank and pay their tax amounts into the said account.

Article 165: Where a certain part of the country, or certain taxpayer(s) due to incidents or acts of nature, such as earthquake, flood, fire, drought, pests, storm or other similar incidents, suffer damages and such damages and losses are yet to be remedied by ministries, government organizations, municipalities, insurance companies or benevolent organizations, the Ministry of Economy and Finance shall be entitled to deduct an amount equal to the amount of losses sustained from the taxable income of the taxpayer(s) concerned in the year of occurrence of losses and in subsequent years. However, those taxpayers more than 50% of whose assets were destroyed as a result of the said incidents shall not be obligated to pay their tax debts, accordingly, whole or a part of their tax debts shall be written off or allowed in lengthy installments with the approval of the Council of Ministers.

The executive by-laws of the above Article 165 shall be prepared by the Ministry of Economy and Finance, to be approved by the Council of Ministers.

Note: Taxpayers in war-stricken regions of west and south Iran a list of which shall be notified upon the proposal of the Ministry of Economy and Finance, and approval by the Council of Ministers, shall enjoy the following tax facilities:

- a. 50% of the tax payable by the said taxpayers due on the income earned in the said regions shall be written off as of the beginning of Iranian year 1368 (March 21, 1989) through the end of Iranian year 1372 (March 20, 1994).
- b. For each year of service in the aforesaid regions, from the enforcement date hereof one-third of their tax debts until the end of Iranian year 1367 (March 20, 1989) shall be written off in respect of the income earned in the said regions.
- c. Out of the tax paid by the said taxpayers on the incomes earned in the said regions with effect from September 20, 1980 until March 20, 1989, up to one-third in each year shall be deducted from the taxes due by them in subsequent years in those very regions.
- d. In cases where a taxpayer shall be unable to continue activities in the said regions, the whole or a part of the said tax liabilities shall be written off upon production of proofs and reasons acceptable to the Ministry of Economy and Finance.

Article 166: The State Taxation Affairs Organization shall be authorized to print tax bonds and supply them to all taxpayers. The said bonds shall be registered and non-negotiable. Taxpayers shall be authorized to submit the said bonds instead of cash payment at the time of paying tax. An amount equal to two percent (2%) of the advance payment per every 3-month advance payment shall be deducted from the relevant tax liability.

Article 167: In respect of those taxpayers who shall be unable to settle their tax liability in total including the actual tax amount and the fines imposed thereon, the Ministry of Economy and Finance or State Taxation Affairs Organization shall be authorized to

arrange, for such tax liabilities to be settled by installment spread over a period not exceeding three year from the date of notification of finalized tax amount.

Article 168: In order to avoid collection of a double tax and to enable exchange of information concerning the income and wealth of taxpayers, the government shall be authorized to conclude Taxation Treaties with foreign governments, and put such treaties into effect after ratification of same by the Islamic Consultative Assembly. Such taxation treaties as have been concluded with foreign governments and approved by the Judiciary or the Council of Ministers prior to the effective date of this Act shall remain in force until such time when they shall be otherwise cancelled. The government shall be under the obligation to verify and notify to ICA with justification within one year after the effective date of this Act, its opinion on continuation or cancellation of the said treaties.

Article 169: The State Taxation Affairs Organization shall be authorized to instruct certain taxpayers, through a notice to be published in a highly-circulated newspaper up to the end of the month of Dey (Jan. 20), to apply certain procedures in maintaining their accounts and to use certain equipment, statements and forms in order to facilitate assessment of their taxable income. The taxpayers shall be required to comply with the said instructions as of the first day of Farvardin (21st March) of the next year. Failure to comply with these instructions shall result in invalidation of 'the accounts books of the taxpayers who shall be under the obligation to maintain statutory accounts books.

The other groups of taxpayers shall be subject to a line equal to 20% of 'the tax applicable at source.

Note: Should the BSTD determine that compliance with the said instructions was not possible for a taxpayer, such failure in compliance therewith shall not result in invalidation of accounts books and payment of lines as the case may be.

Article 169 (BIS): The State Taxation Affairs Organization shall be authorized to issue commercial cards, with a commercial code number on them, to the natural persons and legal entities. The natural persons and legal entities which, upon a notification by the State Taxation Affairs Organization, shall be required to apply for a commercial card, shall be duty-bound to, draw up and produce invoices when carrying out transactions, in compliance with the directives which shall be prepared and duly communicated by the said Organization. Further, they shall be required to register the economic code number so assigned on the invoices, forms, papers, vouchers and documents, and submit a list of the transactions carried out to the State Taxation Affairs Organization. Failure by such natural persons or legal entities to so prepare and issue invoices or failure to register the code number of their own and that of the second party/parties to the transaction(s), as the case may be, or to let other individuals to use the code number assigned to such natural persons or legal entities, or to use the code number assigned to some other person or entity in one's own transactions, shall render such persons and entities liable to a fine equal in amount to 10% of the value of transactions carried out without observing the provisions prescribed above.

Failure to produce and submit a list of the transactions to the State Taxation Affairs Organization, in conformity with the directives issued by the said Organization, shall make such persons and entities liable to a fine equal in amount to 1% of the value of the transactions a list of which has not been duly submitted. The said fines shall be claimed

by the relevant Taxation Affairs Administration, duly observing the period of respite laid down in Article 157 of the present Act. Accordingly, the taxpayer shall be required to pay the amount so claimed, within thirty (30) days after notification of the claim. Otherwise, the taxpayer shall be considered as a protestor and the issue shall be referred, for consideration and pronouncement of the final judgment, to the Board of Settlement of Tax Disputes (BSTD).

The judgment pronounced by the BSTD shall be final and binding. The said fines shall not be exempted and shall be duly collected in conformity with the executive regulations mentioned in the present Act.

Note 1: The natural persons and/or legal entities using the economic code number assigned to another entity, shall, collectively with the entities whose economic code number has been used, be responsible in respect of payment of the income tax as well as the fines laid down in above Article 169 bis.

Note 2: If the parties to a transaction shall refrain from observing and complying with the duties laid down in the present Article when carrying out transactions, they shall collectively be held responsible. However, in cases where the purchaser shall refrain from producing and submitting its economic code number, if the vendor shall proceed to notify, within one (1) month, to the State Taxation Affairs Organization, the name and particulars of the purchaser as well as the object of transaction, the vendor shall not be liable to the fines and penalties mentioned above.

Note 3: The legal entities and the artisans mentioned in Clauses (a) and (b) of Article 95 of the present Act, shall be required to keep and maintain the invoices relevant to the purchases carried out, during the year of their revenue operations as well as the subsequent year, in order to submit same to the tax assessors if so requested, otherwise, they shall be liable to a fine equal in amount to 10% (ten percent) of the value of the invoices not so submitted.

Article 170: The Board of Settlement of Tax Disputes shall have competence to investigate and decide upon the disputes arising between a taxpayer and the Taxation Affairs Administration in assessment of applicable taxes provided in this Act except in cases where a different authority is provided for such purposes according to some other Articles of this Act.

Article 171: The employees of the Ministry of Economy and Finance and those of the State Taxation Affairs Organization shall not be authorized to approach and seek recourse to the tax authorities in the capacity of attorneys or representatives of taxpayers, either during their term of office or when standing-by ready for service.

Article 172: 100% of the sums which shall be paid to the accounts specified by the government for reconstruction, help and the like on gratuitous basis, and also the money paid or allocated, or aids in kind extended by both natural persons or juridical entities for the repair, mobilization, construction or completion of schools, universities, higher education institutes and health and medical centers, or training camps, sanatoriums and social welfare centers, libraries and (government) cultural and arts centers, shall be deducted from the taxable income of the turnover for the year of payment (from the source to be chosen by the taxpayer) in accordance with the criteria to be determined by

the ministries of Education; Sciences, Research and Technology; Health, Medical Treatment and Education; and Economy and Finance.

Article 173: This Act shall come into force from the first day of the month of Farvardin 1368 (March 21, 1989). The regulations of this Act shall cover any and all taxes and income taxes applicable to incomes earned after the effective date of this Act, as the case may be, and income tax of the natural persons and legal entities pertaining to the fiscal year which ends during the first year of implementation of this Act. All other tax laws and regulations being inconsistent with or contrary to the present Act shall stand null and void.

Note: Collection of evacuation duties laid down in Article 8 of the Law on Stabilization of Rentals, ratified in 1352, shall stand null and void upon enforcement of the present Act.

Article 174: Taxes on incomes earned prior to Iranian year 1368 and after the Iranian year 1345 as well as the direct taxes accruing during the said period shall be considered as residuary taxes and shall be governed by regulations prevailing on the date of earning the relevant incomes in respect of the taxable income, tax rates, taxpayers duties, and statute of limitation. The present Act shall govern such matters as the procedure of investigation, verification, and liquidation.

Note 1: The taxes applying to incomes earned and accrued prior to 1967 (1345) which still remain unsettled, as of the date of approval of this Act, cannot be claimed any longer.

Note 2: The transfers mentioned in Article 180 of the Direct Taxation Act of Esfand 1345 and its subsequent amendments carried on prior to the effective date of this Act, shall be added to the inheritance of the heirs concerned in case of death of the transferor and the applicable tax shall be collected according to the provisions of this Act after deducting therefrom the sums previously paid on account of the inheritance.

Article 175: The taxable limits laid down in the present Act shall biennially be adjusted, commensurate with the inflation rate, upon a proposal which shall be submitted by the Ministry of Economy and Finance and subsequently approved by the Council of Ministers.

Article 176: The State Taxation Affairs Organization shall be authorized to collect the taxes under the Present Act through cancellation of stamp after finalization or arbitrary assessment.

The executive by-laws of the present Article shall be prepared by the State Taxation Affairs Organization, and shall go into effect after ratification thereof by the Minister of Economy and Finance.

Chapter 5: Duties of Taxpayers

Article 177: Taxpayers shall be authorized to submit to the Taxation Affairs Administration situated in their residential district, separate tax declarations which are required to be filed according to the provisions described in the present Act, for each of their sources of income and obtain the receipt thereof. In such cases, the Taxation Affairs

Administration shall record the facts and circumstances in the dossier of the taxpayer concerned and forward, within three (3) days, the tax declaration for the necessary action to the relevant Taxation Affairs Administration. Submission of tax declaration to the Taxation Affairs Administration located in one's residential district shall have the same resultant effect as submission to the relevant Taxation Affairs Administration.

The provisions made in the present Article shall be applicable to such taxpayers who have erroneously submitted to the Taxation Affairs Administration of another district located in the relative township.

Note 1: In cases where the last day of respite provided for filing a tax declaration or production of other papers and documents which the taxpayer is required to submit as per the applicable regulations, shall be a public holiday, the first working day after the holiday shall also be included in the period of respite for filing tax declarations or submission of the said Papers and documents.

Note 2: The responsibility to submit tax declarations and to pay the tax applicable to the taxpayers domiciled outside Iran as well as such institutes and company's whose head office or headquarters is situated abroad, shall rest with their representatives in Iran, if any.

Note 3: The artisans shall be duty-bound to notify in writing to the Taxation Affairs Administration, the facts in connection with commencement of their operations and activities, within four (4) months after such commencement. Failure to do so within the respite prescribed above shall render them liable to a fine equal in amount to 10% (ten percent) of the fixed tax. Such failure shall render them deprived of all tax facilities and exemptions, effect as of the date they shall be recognized and identified by the Taxation Affairs Administration. However, this provision shall not apply to the artisans to whom the required permits and authorizations for the activities and operations have already been issued.

Article 178: In cases where the tax declaration or other papers and documents, which the taxpayer is required to submit in conformity with the relevant rules and regulations, shall be received through post offices, the date of submission of the same to the post office, if such facts shall duly be sustained and established, shall be considered as the date of submission of the tax declaration to the authorities concerned.

Article 179: Should a taxpayer have several places of residence, he shall be required to designate one of them as his main residence, otherwise the Taxation Affairs Administration shall be authorized to consider any one of these places as the taxpayer's main residence.

Article 180: Any natural person of Iranian nationality who by producing testimonial from the Islamic Republic of Iran's financial or diplomatic representatives or missions abroad shall prove that he, as a resident in a foreign country, has already paid the tax on his income earned in a foreign country during the fiscal year concerned, shall be considered as having been domiciled abroad; except, however, in the following instances:

1. When during the fiscal year in question he has had an occupation in Iran.
2. When he has resided in Iran either continually or at intervals for at least six (6) months of the fiscal year in question.

3. When the sojourn abroad has been for the purpose of carrying out an assignment or undergoing treatment or for other similar objectives.

Note: Any Iranian natural person or legal entity residing in Iran who shall earn income abroad and which shall pay the applicable taxes to the government of the place of earning the income and shall declare the said income according to the provisions of this Act in his tax returns, balance sheet, or profit/loss account, as the case may be, the amount of tax paid abroad, or the tax applying to the income earned abroad, whichever shall be less, shall be deducted from his income tax in Iran.

Article 181: In order to exert control and supervision over the enforcement of tax laws and regulations, the State Taxation Affairs Organization shall be authorized to dispatch committees or boards consisting of 3 members who shall examine and control the statutory books of the taxpayers, in conformity with the regulations which shall be proposed by the said Organization for the same purpose, and which shall subsequently be approved by the Minister of Economy and Finance.

Should a taxpayer refrain from producing his statutory books, the taxable income applicable to the relevant fiscal year shall be assessed on arbitrary basis, with the approval of the Board mentioned in Clause 3 of Article 97 of the present Act.

Note: The boards mentioned in the above Article 181 shall be authorized, upon a permission to be issued by the State Taxation Affairs Organization, to examine the books, documents and financial papers of the taxpayers, including the ones related to the fiscal year under reference or to the preceding years, in order to secure the necessary information and to present the same to the Taxation Affairs Administration concerned. If necessary, they shall be authorized to transfer the books, documents and papers of preceding years to the Taxation Affairs Administration, against submission of the receipt thereof to the taxpayer.

Chapter 6: Duties of Third Parties

Article 182: Those responsible under the provisions of this Act for payment of other taxpayer's tax, as well as any person who shall undertake or guarantee the payment of some other person's tax, and also such persons who, as a result of their failure in discharging the obligations prescribed under this Act, shall be found liable to line, shall all be deemed as taxpayers and shall, for the purpose of recovering tax liabilities, be dealt with according to the statutory requirements of the law concerning the executive proceedings for collection of taxes.

Article 183: In cases where the conveyance of property shall be effected by the Registrar of Deeds and Estates, the tax applying to final transfer of property shall be paid in advance, and the Registrar shall record the reference number of the relevant tax settlement certificate issued by the Taxation Affairs Administration concerned on the deed of conveyance.

Article 184: The departments of Registrar of Companies shall be required to send to the local Taxation Affairs Administration at the end of each month a complete list of the names of the companies and institutes which were registered during the month and any changes made in the existing companies and institutes as well as the names of natural

persons and legal entities who registered their accounts books with the departments of Registrar of Companies, indicating the number of books registered and the registration numbers.

Article 185: In all instances where the transactions mentioned in Chapter 4 of Book II as well as Chapters 1 and 6 of Book III of this Act shall be effected by means of notarial deeds, the notaries-public shall be required to submit, by the end of the following month and against formal receipt, a summary statement of the month's transactions to the local Taxation Affairs Administration.

Article 186: The issuance, renewal or extension of the commercial card and business license or work permit of natural persons or juridical entities by competent authorities shall be subject to production of a certificate from the relevant Taxation Affairs Administration, demonstrating payment or arrangement for payment of finalized tax liability. In the event of non observance of this order, the officials in charge shall have joint liability with taxpayers for payment of the applicable taxes.

Note 1: Banking facilities shall be extended to the juridical entities as well as the artisans and professionals by banks and other credit institutes, subject to production of the following certificates:

1. A certificate demonstrating payment of finalized tax liability or an arrangement for payment of the same.
2. A certificate from the relevant Taxation Affairs Administration, showing receipt of a copy of the financial statements presented to banks and other credit institutes.

The executive criteria of the above Note 1 shall be drawn up by the State Taxation Affairs Organization and the Central Bank of Iran and shall subsequently be notified.

Note 2: The State Taxation Affairs Organization shall be authorized to collect an amount equal to one per mill (0.001) of the finalized taxable income of the artisans and professionals and deposit same in a special account with the Treasury, in order to pay to the expert societies, guilds and associations, in conformity with the credits approved and mentioned in the annual budget bills, which cooperate with the said Organization in connection with the assessment and collection of taxes. The sums paid in conformity with the above Article 186 shall not be subject to taxation and other contradictory rules and regulations.

Article 187: In all cases where the transactions described in Chapter 4 of Book II and Chapters 1 and 6 of Book II of the present Act shall be carried out through notarial deeds, the notaries public shall be required to inform the Taxation Affairs Administration, prior to registration, cancellation or annulment of the deed of transaction, of the full details and nature of the transaction and the location of the Property being the subject of the transaction and/or the place of residence of the taxpayer, as the case may be. The notaries public shall be authorized to register, cancel or annul the deed of transaction only after obtaining the certificate demonstrating performance of the transaction, by recording the number and the authority issuing the certificate in the deed of transaction.

The above certificate shall be issued within a maximum period of 10 days after the date of notification by the notary public concerned, and in case of payment of tax dues pertaining to the property being subject of transaction by the taxpayer concerned. Such

tax dues include tax on rental and tax on transfer of key-money (goodwill), vocational taxes accruing on the property being the subject of transaction, windfall earning tax and tax applying to final transfer of property.

Note 1: Should there arise a dispute in connection with the amount of the applicable taxes, the relevant file shall be referred, out of turn, to the authorities in charge of settlement of tax disputes provided hereunder. Should the taxpayer concerned be willing to obtain the required certificate prior to investigation and pronouncement by the above-said authorities, the taxpayer shall be authorized to pay the amount of acceptable tax and deposit the balance or provide sufficient guarantees such as promissory note, bill of exchange, insurance policy, negotiable instruments, stocks and shares or real estate security for the balance due and obtain the required certificate.

Note 2: In cases where pursuant to a judgment issued by competent courts, sums of money relevant to the key-money shall be deposited with courts of justice, the authorities concerned shall be required to communicate with the Taxation Affairs Administration concerned and inquire about the applicable taxes, and subsequently withhold the said taxes and pay same to the account of the State Taxation Affairs Organization.

Article 188: Functionaries in charge of the sale and cancellation of stamps shall be required to cancel stamps on every power of attorney to the amount prescribed under the provisions of this Act, and to record in and attest the amount thereof in a special register which shall be maintained by every lawyer for recording the amounts of stamps used by him/her. The said register shall be produced to the Taxation Affairs Administration when the lawyer's tax accounts shall be verified; and failure to do so shall constitute ground for such lawyer's book to be rejected for the purpose of taxation.

Chapter 7: Tax Awards and Penalties

Article 189: In the case of legal entities and natural persons mentioned in Clauses (a) and (b) of Article 95 of the present Act, if the balance sheet, profit/loss account, accounts books and vouchers shall be accepted and approved during 3 consecutive years and the taxes payable by them shall be settled in the same year of filing the tax return without recourse to the boards in charge of settlement of tax disputes, equal to 5% of the amount of the principal tax of the said 3 years shall be awarded to them on account of being good pay. The said sum shall be paid to the said taxpayers out of the current collections or it shall be credited to the account of their tax in the following years. The said award shall be tax free.

Article 190: The amount paid on account as the tax applicable to the operations of any fiscal year prior to the expiry of the period of respite laid down in the present Act for the payment of operation Tax, shall render the taxpayer entitled to receive an award equal in amount to 1% of the sum so paid per month up to the end of respite prescribed in this Act. The said award shall be deducted from the tax applicable to the operation of the same year. However, the taxes paid after such expiry date shall be charged a monthly penalty equal to 2.5% of the taxes due.

The starting date for calculation of the penalty in the case of taxpayers who shall be required to submit tax return with respect to the amount stated in the declaration, shall be

from the date of expiry of the respite for submission of the tax return, and for the balance falling due, shall be from the date of claim. In the case of taxpayers who shall refrain from submitting the tax declaration or who are basically not required to submit a tax return, the starting date shall be the date of expiry of the respite authorized for production and submission of declaration or the due date for payment of tax, as the case may be.

Note1: The taxpayers who shall carry out their legal duties and obligations with respect to timely production and submission of the tax return or balance sheet and profit/loss account and who have already made or shall make the necessary arrangements to make the taxes due according to the tax return or the balance sheet and profit/loss account and, if necessary, who shall in a timely manner submit their books of accounts, documents and vouchers, under the cases and circumstances, prescribed in Article 239 of the present Act, if they shall accept the tax assessment sheet or come to some agreement with the Taxation Affairs Administration, or in cases where they shall pay or arrange payment of the applicable taxes, such taxpayers shall be rendered exempt from payment of 80% of the amount of the fines set for the in the present Act.

In cases where such taxpayers shall proceed to pay or to arrange payment of the applicable tax, within one month after the date of notification of the final tax assessment sheet, they shall become exempt from payment of 40% of the amount of the fines laid down in the present Act.

Note2: If the span of time between the date on which the taxpayer shall file an objection against the tax assessment sheet and the date on which the tax shall be rendered final, shall exceed one year, a monthly fine of 2.5% mentioned in the present Act, which shall apply to the period of time exceeding the one year up to the date the final tax assessment sheet shall be notified, shall not be claimed from the taxpayer. The State Taxation Affairs Organization shall be duty-bound to made the necessary arrangements so that consideration and finalization of the taxes due by taxpayers shall not take more than one year after submission of their objection.

Article 191: It shall be authorized to exempt the whole or any part of the fines provided in this Act, at the discretion of and upon agreement by the State 'Taxation Affairs Organization at the request of the taxpayer and with due regard to the proofs and evidence furnished by the taxpayer concerned, evidencing that the taxpayer was not able to fulfil his legal obligations and by taking into consideration his records of being good pay.

Article 192: In the cases of a taxpayer or his representative who, according to the provisions of this Act shall be required to submit tax declaration For the purpose of tax payment, hut who shall fail to do so within the time limit prescribed herein, he shall be subject to payment of a fine equal to 10% (ten percent) of the applicable tax.

Note: Failure by the legal entities and those subject to the provisions made in Clause (a) and (b) of Article 95 of the present Act, to submit the tax return, shall make them liable to payment of a fine equal to 40% (forty per cent) of the applicable tax and accordingly they shall be denied exemption.

In the case of taxpayers who shall proceed to submit their tax return, the provisions made in the present Note shall apply to both the tax applicable to the incomes not declared as well as non-actual expenditures which shall also be non-deductible.

Article 193: With regard to taxpayers who, in accordance with the provisions of this Act, are required by maintain statutory accounts books, in case of non- submission of balance sheet and profit/loss accounts, or in case of non- production of books, the fine for failure shall be 20% of the tax, and in case of rejection of the books the fine for violation shall be 10% of the tax.

Note: Non-submission of tax declaration, balance sheet and profit/loss account during the period of enjoying tax exemption, shall result in cancellation of tax exemption arrangements during the fiscal year.

Article 194: In the case of taxpayers whose returns shall be examined according to Article 158 of this Act, if their taxable income finally assessed shall have a difference of 15% or more with the taxable income declared by them through their returns, such taxpayers shall, in addition to becoming subject to applicable penalties, be deprived of any taxation facilities and exemptions provided in this Act for a period of three years after notification of their final tax.

Article 195: The fine for default on the part of the last directors of a legal entity to submit the declaration referred to under Article 114 within the prescribed time limit or submission of a false declaration shall respectively be 2% and 1% of the paid-up capital of the legal entity concerned on the date of liquidation.

Article 196: The fine for default on the part of the liquidator(s) in connection with distribution of the property of the legal entity prior to settlement of taxation affairs of the legal entity or before depositing the securities laid down in Article 118 of the present Act shall be equal to 20% of the applicable tax which shall be duly collected from the liquidator(s).

Article 197: In respect of those who are bound, as set forth under the provisions of this Act, to submit statements, lists, contracts or any particulars concerning taxpayers, and fail to furnish these within the prescribed time limit or if they submit false information, the applicable fine in their case shall be a sum equal to 2% of the salaries paid, in case of salaries, and a sum to 1% of the total contract value in case of contracts. Such persons, in any case, shall, jointly with the taxpayer concerned, be responsible to compensate the losses inflicted upon the government.

Article 198: In addition to a legal entity being responsible for payment of applicable taxes, in the case of wound up and dissolved companies, the directors of legal entities shall jointly or severally be liable to pay the income tax accruing on the income of the legal entity concerned as well as for payment of any taxes the legal entities shall be liable to withhold and collect in connection with their term of office.

Article 199: Any natural person or legal entity who, according to the provisions of this Act, shall be obligated to withhold or collect and pay the taxes of other and who shall fail to fulfill his obligations hereunder shall, in addition to being jointly (with the original taxpayer) liable for payment of applicable taxes, be subject to a fine equal to 20% of the amount of unpaid tax.

Note 1: In cases where the withholding party shall be a ministry, a government company or organization, or a municipality, the responsible officials shall be subject to punishment provided under the Law on Administrative Offenses.

Note 2: In cases where the withholding party shall be a non-government legal entity, the director(s) responsible shall; in addition to being held jointly responsible (with the original taxpayer) to the applicable taxes, be subject to imprisonment ranging in term from three (3) months to two (2) years. The provisions of this Note shall not apply to director(s) of a legal entity who shall deposit with the State Taxation Affairs Organization, an amount equal to the amount of taxes described above.

Note 3: In cases where the withholding party shall be a natural person, he/she shall be subject to imprisonment ranging in term from three (3) months to two (2) years.

Note 4: The responsibility of instituting legal actions before the judicial forums against the offenders described in Notes 2 and 3 above shall rest with the Director General of the State Taxation Affairs Organization.

Article 200: In case of non-compliance with provisions of this Act by notaries- public in carrying out their obligations hereunder, in addition to having joint liability with the original taxpayer in paying the applicable taxes, a fine equal to 20% of the said taxes shall be imposed on them and in case of repetition, they shall be subject to a punishment according to Note 2 of Article 199 and the pertinent regulations.

Article 201: Any taxpayer who, with the intent being to evade tax knowingly and intentionally shall cite and invoke as evidence the balance sheet and profit/loss accounts or such accounts books, documents and vouchers as normally constitute the basis for tax assessment but are actually Prepared in fictitious or falsified way, or if he shall refrain, for 3 consecutive years, from submitting tax return and balance sheet and profit/loss account, he shall be deprived from all legal exemptions applicable to the said period, in addition to the fines and penalties set forth in the present Act.

Note: Legal prosecution and institution of legal actions against such offenders before the judicial forums shall be initiated by the Director General of the State Taxation Affairs Organization.

Article 202: The Ministry of Economy and Finance or the State Taxation Affairs Organization shall be authorized to arrange for prevention of exit from Iran of those tax debtors whose final tax debt shall exceed Rls.10,000,000 (ten million rials). The provisions of this Act shall also apply to the finalized tax liability of director(s) of private legal entities accruing, during their term of office, for the taxes payable by the legal entity concerned on account of income tax or on account of taxes which, in conformity with the Law, shall be bound to be withheld and collected from other persons. The relevant authorities shall be obligated to execute the provisions made in this Article, upon notification by the said Ministry or Organization.

Note: In cases where a taxpayer, with the intention being to evade payment of tax, shall transfer his property to his/her spouse or children, the State Taxation Affairs Organization shall be authorized to have the relevant deeds of ownership cancelled and nullified by competent judicial authorities.

Chapter 8: Notices

Article 203: Tax notices, shall, as a general rule, be served on the taxpayer himself and a receipt obtained on the duplicate copy thereof. If the taxpayer himself cannot be reached, tax notices shall be served at his domicile or place of work on one of his relatives or servants, provided that in the opinion of the serving officer, the said persons shall seem to be old enough to realize the importance of such notices and, moreover, no conflict of interest shall exist between the taxpayer and the person who shall receive the said tax notices.

Note 1: If the taxpayer, or in his absence, his relatives or servants refuse to accept such notices being served on them, or if none of these persons shall be present at the place, the serving officer shall have their refusal or absence certified by a policeman or a gendarme or by two local residents and record these facts on both copies of the notice, affixing the original on the door of the taxpayer's domicile or place of work. All tax papers served in the above mentioned manner shall be deemed to have been legally served on the taxpayer on the date they shall be affixed.

Note 2: The State Taxation Affairs Organization shall be authorized to take advantage of registered mail in order to serve tax notices on the taxpayers. The postmen shall serve tax notices at the place of business or domicile of the taxpayer, either on the taxpayer himself or on one of his relatives or servant present at the place, and shall obtain a receipt thereof on the duplicate copy. However, if the taxpayer or the said persons shall refrain from receiving the tax papers, the postman concerned shall record the facts concerning their refusal on both copies of the notice, affixing the second copy on the door of the taxpayer's domicile or place of business, and shall return the first copy to the Taxation Affairs Administration. If none of the said persons shall be present at the place, the postman shall record, on both copies of the tax notice, both the current date of seeking recourse to the place of the taxpayer concerned as well as the phrase reading "Next recourse shall be sought fifteen (15) days after the present date" and shall affix the second copy on the door of the taxpayer's domicile or place of business, returning the first copy to the Taxation Affairs Administration. Upon the second recourse, if none of the said persons shall be present, the postman shall record the facts and circumstances in this regard on both copies of the tax notice, affixing the second copy on the door of the taxpayer's domicile or place of business, and shall return the first copy to the Taxation Affairs Administration. The tax notices and papers which shall be served in the above manner shall be deemed to have been legally served on the taxpayer on the date they shall be affixed.

Article 204: The serving officer shall specify the following details on the duplicate copy of tax papers being served and shall sign them:

- a. Place and date of serving, giving the day, the month and the year in letters and digits.
- b. Name of the person on whom the papers were served, giving his/her relationship with the taxpayers.
- c. Names and particulars of witnesses with their full addresses in the cases referred to under the Note to Article 203 above.

Article 205: Where the taxpayer shall be a government department or an institution affiliated with the government, tax papers shall be served on the head or deputy head of head of the secretariat of the department or institution.

Article 206: Where the taxpayer shall be a business firm or one of the other corporate bodies, the tax papers shall be served on the manager or on other persons who shall be authorized to sign on behalf of the firm.

Note: The provisions of Article 203 above shall also apply to business companies and other corporate bodies (legal entities).

Article 207: In cases where the taxpayer has already given an address as his place of work or domicile or the place at which tax papers may be served, and in other cases where the tax papers shall be served at a place known to be the taxpayer's place of work or domicile and there be proof and indication in the relevant file that the taxpayer has not made any objection to such places being used for serving tax papers, the serving of the tax papers at the said addresses shall be deemed to be legal and proper, until such time when the taxpayer shall give another address.

Article 208: In cases where the taxpayer's address shall not be known, notices shall be published once in the highly-circulated newspaper of the jurisdiction area of the Taxation Affairs Administration concerned, and if no newspaper shall be published in the jurisdiction area of the Taxation Affairs Administration concerned, the tax notices shall be published either in a highly-circulated newspaper of the place being closest to the Taxation Affairs Administration concerned, or in the highly-circulated papers of the capital city. Notices thus published shall be deemed to have been duly served on the taxpayer.

Note 1: In addition to the relevant particulars, the place of referring, the specified time limit, and the legal duty of the taxpayer shall be mentioned in the tax notices served.

Note 2: In the case of real estate taxpayers whose address, as specified in Article 207 of this Act shall not be clear, the tax notices shall, as stated in Article 203, be served at the real estate on which the tax is being claimed.

Article 209: The provisions of the Civil Procedure Code concerning the serving of notices shall, except in cases specified in this Act, apply to serving tax papers as well.

Chapter 9: Collection of Taxes

Article 210: If a taxpayer shall fails to pay his finalized tax within ten (10) days from the date of receipt of the final notice, the Taxation Affairs Administration will serve on him a Tax Executive Order giving him one month's time from the date of such notice to pay out all his tax liabilities or to arrange payment thereof with the Taxation Affairs Administration.

Note 1: The Tax Executive Order shall specify the type and amount of the tax, documents for the final tax liability, tax year, amount of tax already paid, and applicable fine.

Note 2: The part of the tax which shall be accepted by the taxpayer and stated in the declaration or balance sheet submitted to the tax authorities shall be recoverable through executive proceedings.

Article 211: In case the taxpayer shall fail to pay the entire amount of tax demanded or to arrange payment thereof with the Taxation Affairs Administration within the prescribed grace period after receipt of the Tax Executive Order, his movable and/or immovable property to the amount of his entire tax liability, including the applicable fines plus 10% of such tax liability, shall be forfeited. The Forfeiture Order and the instruction for enforcement of such order shall be issued by the Executive Office of the Taxation Affairs Administration.

Article 212: The forfeiture of the following property shall be forbidden:

1. two-thirds (2/3) of the salary of salaried persons and three-quarters (3/4) of the monthly pension (of the retired persons or their dependents).
2. Articles of clothing and other personal effects belonging to the taxpayer and/or his dependents as well as stocks of foodstuff and the subsistence of those entitled thereto.
3. Agricultural and industrial tools and implements as well as equipment required for the business of the taxpayer in order to earn his livelihood.
4. Accommodation to the normal extent.

Note 1: If the value of the property to be forfeited shall register more than the amount of the tax liability of the taxpayer and if the said property shall be indivisible, the entire property shall be sold and the excess money shall be refunded to the taxpayer unless he offers another indisputable property the value of which shall be equal to the said tax liability.

Note 2: Should the taxpayer be a married person and living in the same house with his/her spouse, household articles normally used by women shall be deemed as belonging to the wife and the rest as belonging to the husband, unless the contrary is proved.

Note 3: Forfeiture of production units whether agricultural or industrial shall not be done in such a way as to result in closing down of the production unit.

Article 213: The forfeited property shall be evaluated by the appraiser of the Taxation Affairs Administration. However, the taxpayer shall be authorized to deposit the evaluation fee in accordance with the regulations governing the fees of the official appraisers of the Ministry of Justice and request that his property be evaluated by official appraisers.

Article 214: All the necessary actions in connection with publication of notice for auction, sale of the forfeited property (whether movable or immovable) by auction, shall be taken by the person in charge of Executive Office of the Taxation Affairs Administration. In the case of immovable property if the taxpayer refuses to sign the transfer deed after the sale formalities shall be completed and the purchaser determined, the person in charge of Executive Office of the Taxation Affairs Administration shall, on the strength of the relevant documents, request the local Registration Department to effect the transfer of the property in the name of the said purchaser and the Deeds and Estates Registration Department shall be required to comply with his request.

Article 215: In the case of forfeited immovable property, if after publication of two auction notices (the second notice shall not specify a minimum price for the property) no offers shall be received from prospective purchases, the State Taxation Affairs Organization shall be authorized to transfer to its ownership part of the said property the value of which as assessed by the official appraiser shall be equal to the total tax liability of the taxpayer plus the applicable cost, and shall credit the tax account of the taxpayer with the value thereof

Note 1: In the event that before the said property shall be transferred to the State Taxation Affairs Organization or in the name of a third party, the taxpayer volunteers to pay his outstanding liability, the State Taxation Affairs Organization shall be required to restore the property to him upon receipt of the taxpayer's liability plus 10% and the applicable costs.

Note 2: The ex-owner of a forfeited property shall have preemptive right in purchasing his property in cases where the State Taxation Affairs Organization decides to dispose of the property.

Article 216: The Board of Settlement of Tax Disputes (BSTD) shall be the authority to handle complaints arising from executive proceedings relating to amounts due by the government from natural persons or juridical entities which according to tax executive procedures can be demanded and collected. The said complaints shall be dealt with urgently and out of turn and the verdict issued in this connection shall be final and binding.

Note 1: In the case of direct taxes, if the complaint shall be to the effect that the execution proceeding, for collection of tax have been taken before finalization of the tax, and if the BSTD shall consider the complaint as justified, it shall rule for cancellation of the execution proceedings and at the same time shall order for investigation to be made and the necessary action to be taken, or it shall make inquiries about the taxable income of the taxpayer and then issue its verdict thereon. The verdict issued by BSTD shall be final and binding.

Note 2: As regards the indirect taxes, if the complaint shall be to the effect that the tax demanded is not legal, such a complaint shall be considered by BSTD. The decision of BSTD in this connection shall be final and binding.

The provisions of this Note shall not apply to offenses in respect of smuggling of goods which are sources of income for the government, as well as the value of the goods destroyed and also that part of the indirect taxation which, under special rules and regulations is to be settled by reference to specific authorities.

Article 217: The Ministry of Economy and Finance shall be authorized to deposit one percent (1%) of the amounts collected as taxes and fines according to this Act (excluding the income tax of government companies) in a special account with the Treasury, to be spent on the training of officials in taxation affairs and in expert auditing and to pay same on account of incentives to the personnel and individuals who shall actively serve the objective of tax collection. The sums paid under this Article shall be considered as bonus and shall not be subject to any taxation or contrary regulations.

The Ministry of Economy and Finance shall be required to submit a report, every six months, to the Economy and Finance Committee of the Islamic Consultative Assembly on the volume of taxes collected and allocation thereof among various layers and strata of income.

Article 218: The regulations concerning that part of this Act dealing with tax collection shall be approved by the Ministries of Economy and Finance and Justice and shall be enforced by the Ministry of Economy and Finance.

Book V: Tax Assessment Organization and Tax Authorities

Chapter 1: Tax Authorities: Their Duties and Powers

Article 219: The responsibility of determining and assessing the taxable income, as well as claiming and collecting the taxes due, as provided for in the present Act, shall rest with the State Taxation Affairs Organization which was established and duly set up by virtue of Clause (a) of Article 59 of the Law on the Third Economic, Social and Cultural Development Plan of Islamic Republic of Iran. The manner of discharging the duties and exerting the powers and the competence of each and every one of the tax inspectors and agents as well as those of the Taxation Affairs Administration, and the manner of executing the provisions made in the present Act, shall comply with the regulations which shall be prepared and drawn up, within six month after ratification and endorsement of the present Act, by the State Taxation Affairs Organization, to be duly approved by the Minister of Economy and Finance.

Note: The State Taxation Affairs Organization, until such date when the regulations mentioned in Article 219 above shall be endorsed, shall be authorized to use and duly apply the procedures, executive arrangements as well as position titles, as formerly used.

Article 220: The following amendments shall be made with respect to the terms and expressions used in the present Act:

1. In the Articles mentioned below, “the State Taxation Affairs Organization” shall replace “the Ministry of Economy and Finance”:

Articles (26), (29), (39), (40), (41), (57), (80), (114) and (154) and Note 2 thereunder, Articles (158), (159) and the Note thereunder, Articles (160), (163), (164), (166), (169), (176), (186) and (191), Note 2 under Article (203), Article (215) and Notes 1 and 2 thereunder, and the Note under Article (230).

2. In the Articles mentioned below, “the Taxation Affairs Administration” shall replace the terms and phrases such as “tax agent”, “tax agents”, “tax assessor”, “chief tax assessor”, “tax district”, “district”, “tax district assessment office”, “assessment office” and “Economy and Finance Administration”:

Articles (26), (27), (29), (31), (34), (35), Notes 2 and 3 under Article (38), Article (39) and the Note thereunder, Articles (72), (80), Notes 1 and 2 under Article (87), Articles (88) and (102), Note 5 under Article (109), Articles (113), (114), (117), (126) and (154) and Note 2 thereunder,

Articles (156), (161), (162), (164), (170), (179), (183), (184), (185), and (186) and the Note thereunder, Articles (188), (208), (210),(211), (213), (214), (227), (229), and (230) and the Note thereunder, Articles (232), (233), and (249).

Article 221 to Article 225: Deleted.

Article 226: The failure of a taxpayer to submit his tax declaration within the statutory period shall not prevent the Tax Affairs Administration from examining his balance sheet, submitted within the prescribed period of respite set forth under Article 156 of the present Act. Otherwise, the income stated in the balance sheet or profit/loss account already submitted shall be considered as final.

Note: The taxpayers shall be authorized to correct any mistakes in calculations in their tax declaration, balance sheet or profit/loss statement submitted to the Tax Affairs Administration, within one month after the date of submission of the said documents and submit a rectified declaration, balance sheet or profit/loss statement, as the case may be, together with all the supporting documents. In any case, the date of submission of the declaration shall be the date of filing the first declaration.

Article 227: If a tax declaration, balance sheet or profit/loss statement shall be accepted or an assessment sheet shall be issued pursuant to an arbitrary assessment, and thereafter it shall become known that the taxpayer concerned used to have other activities the incomes derived from which were concealed and not declared and that the Taxation Affairs Administration authorities were not made aware of such incomes on the date of issuing the assessment sheet, the tax applying to the said incomes shall be assessed and the balance shall be collected according to the provisions of Article 157 of this Act.

Article 228: In cases where the taxpayer's declaration or his balance sheet and the profit/loss statement shall not be accepted or if he shall not submit the documents within the prescribed period, the taxes payable by the taxpayer shall be assessed in accordance with the provisions of this Act.

Article 229: The Taxation Affairs Administration shall be authorized to examine all the taxpayer's books, and documents in order to verify his declaration or assess his incomes from any source, and the taxpayer shall be required to present and submit such documents; otherwise, they shall not be accepted as evidence in his favour for his tax matters for the same year, unless it shall be found out, before his income shall be finally assessed, that owing to certain reasons beyond his control it did not prove possible for him to present them at earlier stages.

The provisions set forth in this Article shall not preclude the authorities dealing with the case, to invoke the documents and records presented by the taxpayer, for the purpose of determining his actual income.

Article 230: In cases where books and documents indicating that certain income was earned by the taxpayer shall be at the disposal of third parties excluding those mentioned in Article 23 1, such third parties shall be required to present the books as well as the original or copy of the relevant documents and also any information regarding the taxpayers and their incomes to the Taxation Affairs Administration whenever they shall call and demand them. If the said third parties shall refuse to do so and as a result of their refusal, the government sustains loss, they shall be required to compensate the loss

suffered by the government. The authority to prove that such loss was incurred through refusal to present documents by third parties and to determine the amount of losses incurred shall be the competent judicial authorities who shall examine the case out of turn upon notice by Tax Disciplinary Prosecutor.

Note: In case of refusal of third parties in presenting the documents required by Taxation Affairs Administration, the State Taxation Affairs Organization shall be authorized to collect the information and documents relating the taxpayer's income through Prosecutor General. Legal prosecution shall not prevent Taxation Affairs Administration from performing their duties.

Article 231: In cases where the Taxation Affairs Administrations shall demand, in writing, from ministries, government organizations, government companies, Islamic revolutionary institutions, municipalities and other non- government public organizations and institutes to provide them with the necessary information and comments in connection with the activities, business transactions and incomes of the taxpayers, the said departments and institutions shall be required to make available to them certified copies of relevant documents and any necessary information, unless the official concerned shall clearly state that divulgence of such information shall be detrimental to the national interests, in which case his refusal shall be subject to the approval of the Minister concerned and confirmation of the Minister of Economy and Finance. Failing this, the official who has refused to provide the required documents and information shall be prosecuted by competent judicial authorities, out of turn, upon notice by Tax Disciplinary Prosecutor and the offender shall be sentenced to appropriate punishment. As regards documents and information available with any judicial authorities, if such authorities shall consider their disclosure inadvisable, it may only be divulged, if approval of the Public Prosecutor General shall be obtained.

Note: In the case of banks and non-bank credit institutes, the State Taxation Affairs Organization shall request the documents and information concerning the incomes of the taxpayer through the Minister of Economy and Finance. Accordingly, the banks and non-bank credit institutes shall take the required actions in conformity with the opinion of the Minister of Economy and Finance.

Article 232: The Taxation Affairs Administration and other tax authorities shall treat the information which they obtain in the course of examining the taxation affairs of the taxpayer as confidential and shall refrain from revealing it except for the purpose of income and tax assessment with the relevant authorities within the necessary scope. Failing this, they shall be liable to provisions of Islamic Penal Code.

Article 233: If in the course of their investigations, the Taxation Affairs Administration shall come across tax violation committed by the taxpayer as mentioned under Article 201, they shall be required to report such infringements to the Tax Disciplinary Prosecutor for prosecution.

Article 234: Deleted.

Article 235: The Taxation Affairs Administration shall be required to prepare and submit to the taxpayers, within 5 days after the date of receipt of the application by the taxpayer,

a tax settlement certificate. This provision shall also apply to the taxpayers who have already paid their final tax liabilities.

Chapter 2: Manner of Consideration

Article 236: Deleted.

Article 237: The tax assessment notice (sheet) shall be prepared on a sound basis and adequate evidence and information and shall be prepared in such a way as shall explicitly indicate all the relevant activities and the incomes derived therefrom so that they may be quite clear to the taxpayer. Those who shall sign tax assessment notices shall be required to give their full names, position and title legibly thereon and shall be responsible in every respect for the contents of the tax assessment notice and for their own comments. In case of inquiry by a taxpayer on the method of assessment of tax, they shall be required to give a detailed report concerning the basis of assessment to the taxpayer and shall provide him with any explanation and clarification which he may require.

Article 238: In cases where the tax assessment notice shall be issued and served on the taxpayer, he shall be authorized to make an objection thereto within 30 days after the date of such service and contact the Taxation Affairs Administration, either personally or through his fully authorized attorney, and apply for reconsideration, presenting his documents and evidences. The official in charge, after registration of taxpayers application and fixing a respite not exceeding 30 days after the date of reference by the taxpayer, shall reconsider the case, and if the documents and evidence presented to the said official in charge by the taxpayer shall be found as adequate proof for rejecting the contents of the tax assessment notice, the said official shall reject it and shall record the facts and circumstances with regard to such rejection on the reverse side of the assessment notice and sign it. In case the documents and evidence presented to the said official in charge shall be found effective in adjusting the amount of applicable tax, and if his opinion shall be accepted by the taxpayer, this fact shall be recorded on the reverse side of the tax assessment notice and signed by both the official in charge and the taxpayer, and in cases where the evidence and documents supplied by the taxpayer shall not be sufficient for rejection of the assessment notice or adjustment of the taxable income, the official in charge shall give his opinion in detail on the reverse side of the assessment notice and shall send the file to the Board of Settlement of Tax Disputes.

Article 239: If, within a period of 30 days after the date of service of the assessment notice, the taxpayer shall signify in writing his acceptance of the assessment notice, or shall pay the taxes due according to the assessment notice or shall make arrangement for its payment, or shall manage to settle the differences between himself and the Taxation Affairs Administration in the manner prescribed in Article 238 of the present Act, the case shall be considered as closed as far as the amount of his taxable income is concerned. In case the taxpayer shall not file an objection in writing within 30 days or shall not refer to the relevant Taxation Affairs Administration within the respite mentioned in the above Article, the taxable income assessed and indicated in the assessment sheet shall become final.

Note: In cases where the assessment notice shall be served according to the provisions of the Note under Article 203 and Article 208 of the present Act, and the taxpayer shall not act according to provisions of this Article, he shall be considered as having objected to

the assessment sheet in which case, as well as in cases where a taxpayer shall file an objection in writing to the assessment sheet within 30 days after the date of service, the file shall be sent to the Board of Settlement of Tax Disputes (BSTD) for further investigation.

Article 240: While the case shall be considered by BSTD, the representative of the Taxation Affairs Administration shall attend the meetings of BSTD and present sufficient proof and give the necessary explanations in order to justify the contents of the assessment notice.

Article 241: Deleted.

Article 242: In cases where an excess amount shall be collected as tax owing to a mistake(s) made in the relevant calculations, and in cases where the tax collected shall be deemed and considered reimbursable in conformity with the provisions made in the present Act, the Taxation Affairs Administration shall proceed to pay to the taxpayer the reimbursable sums, within one month, utilizing the current collections.

Note: The excess sums collected from the taxpayers as tax, under any title pursuant to the provisions made in the present Act, shall be subject to a monthly damage equal to 1.5%, effect as of the date of collection of the excess sum up to the date of reimbursement of the same, which shall be paid to the taxpayer utilizing the current collections. The provisions made in the present Note shall apply to the final and provisional taxes paid, if it shall be established that the excess sums have been paid, and if such excess sums shall not be returned within 3 months after the date of application by the taxpayer.

Article 243: Where the taxpayer shall apply for the reimbursement of the excess tax and the Taxation Affairs Administration shall reject his application, he shall be authorized, within 30 days after the date the decision of the said Administration shall be notified to him, apply to BSTD to consider his case. The decision made by the BSTD in this connection shall be final and unappealable. In case the decision made shall require the refund of the excess tax, the Taxation Affairs Administration concerned shall enforce such decision in accordance with the last paragraph of Article 242 above.

Chapter 3: The Authority to Settle Tax Disputes

Article 244: Unless otherwise provided for in this Act, the authority for consideration of all tax disputes shall be the Board of Settlement of Tax Disputes (BSTD). Each BSTD shall comprise 3 members as follows:

1. One representative from the State Taxation Affairs Organization.
2. One practicing or retired judge. If there shall not be a qualified retired judge in townships and centers of the provinces, the Head of the Judiciary, upon a request by the State Taxation Affairs Organization, shall recommend a practicing judge for membership in BSTD.
3. One representative from Iran Chamber of Commerce, industries and Mines or Chamber of Cooperatives or Society of Chartered Accountants or vocational associations or guilds or the city's Islamic Council, upon the preference and choice of the taxpayer, if the tax assessment notice has already been served. However, if simultaneous with filing

his objection to the tax assessment notice within the statutory respite, the taxpayer shall not notify his choice and preference for a representative from among the ones mentioned above, the State Taxation Affairs Organization shall proceed to appoint one representative from among those cited above, with due regard to the type of activity of the taxpayer or the subject of the taxation under consideration.

Note 1: The meetings of BSTD's shall have a quorum with the presence of 3 members and the decisions adopted by a majority of votes shall be final and binding. However, the opinion of minority shall be duly recorded and registered in the text of the judgment.

Note 2: The responsibility of administration of the affairs relevant to the BSTD's as well as the responsibility of holding the sessions of BSTD's shall lie with the State Taxation Affairs Organization. The fee of the members of BSTD's shall comply with the regulations which shall be proposed by the State Taxation Affairs Organization, to be subsequently approved by the Ministry of Economy and Finance, and shall be paid utilizing the credits which shall be allocated and duly stipulated in the budget of the said Organization for such purpose.

Article 245: The representatives of the State Taxation Affairs Organization membering BSTD shall be appointed from amongst the employees of the said Organization who already have at least 10 years of service in the said Organization and who have served at least 6 years of the said period in taxation works and who are knowledgeable and expert in taxation affairs.

Article 246: The notice for time of hearing at the BSTD for each case shall be served on the taxpayer and the relevant Taxation Affairs Administration, in order that the taxpayer or his representative as well as the representative of the relevant Administration shall attend the BSTD meeting for the said purpose. The time lapse between the date of notification and the date of convening of the BSTD meeting to hear the case shall not be less than 10 days, unless requested otherwise by the taxpayer and approved by the unit concerned.

Note: Failure by the taxpayer or his representative and the representative of the Taxation Affairs Administration to attend the meeting held by the BSTD shall not prevent BSTD from hearing the case and issuing its judgment.

Article 247: Deleted.

Article 248: Decisions of BSTD shall be rendered by giving explicit and justifiable opinion concerning the objection by the taxpayer and in case of deciding upon adjustment of the amount of taxable income, the reasons and grounds for such adjustment shall be mentioned in the judgment issued by BSTD.

Article 249: The basis for calculation of tax by BSTD shall be mentioned in the judgment and in case a mistake(s) shall be made in calculation by BSTD, such mistake shall be corrected upon a request to this end by the taxpayer or by the Taxation Affairs Administration after investigation of the matter by BSTD.

Article 250: In cases where BSTD shall declare the tax assessment notice to be void or shall adjust the assessment made by the Taxation Affairs Administration, BSTD shall be required to send a copy of its judgment together with a copy of the assessment sheet to

the Tax Disciplinary Prosecutor in order that the offender shall be prosecuted in case a violation shall be established.

Article 251: The taxpayer or the Taxation Affairs Administration shall be authorized, within one month after the date of notification of the final decision of BSTD, to file a complaint with the High Council of Taxation by presenting adequate proofs and request for the reversal and annulment of the judgment and reexamination of the case, by invoking non-observance of the laws and regulations laid down or deficiency of investigation and examination.

Article 251 (BIS): In the case of final income taxes, mentioned in the present Act as well as indirect taxation, which shall not be further examined by any other authority, and when a claim shall be filed by the taxpayer contending the unfair nature of such taxes, duly supported by sufficient documents and evidence, and requesting for review, the Minister of Economy and Finance shall refer the case for consideration to a board comprising 3 members as appointed by him. The vote of majority of the members of the said board shall be final and binding. The provisions of the present Act shall also apply to the turnovers for year 1989 up to the date of approval of the present Amendment.

Chapter 4: High Council of Taxation (HCT): Its Functions and Powers

Article 252: The High Council of Taxation shall consist of twenty five (25) members who shall be appointed by the order of the Minister of Economy and Finance, upon their nomination by the Director General of the State Taxation Affairs Organization, from among the individuals who shall be expert, knowledgeable and experienced in legal, economic, fiscal, accounting and auditing affairs, holding at least a BA degree or its equivalent in the said fields of study.

Note 1: A minimum of 15 members of the High Council of Taxation shall be appointed from amongst the employees of the Ministry of Economy and Finance or from the organizations and departments affiliated to same, with at least 6 years of service in connection with taxation affairs.

Note 2: The meetings of the High Council of Taxation shall have a quorum with the presence of two-thirds (2/3) of its members, and its decisions shall be valid if adopted by 50% of its members plus one.

Article 253: The term of office of the members of the High Council of Taxation shall be 3 years from the date of their appointment during which period they shall not be removed from their office except upon their own request or by a final order of the Special Administrative Tribunal referred to in Article 267 of the present Act. Upon the expiry of the above 3-year term, the members may be re-appointed. The president of the High Council of Taxation shall be appointed by the order of the Minister of Economy and Finance, upon a recommendation to be made in this regard by the Director General of the State Taxation Affairs Organization.

Article 254: The High Council of Taxation (HCT) shall have eight benches. Each bench shall have three members.

The chairman and members of each bench shall be appointed by the president of the HCT.

Article 255: The functions, duties and powers of the HCT shall be as follows:

1. To draw up and prepare the regulations and circular letters related to the implementation of the present Act, in cases as referred and assigned by the Minister of Economy and Finance or the Director General of the State Taxation Affairs Organization, or in cases where HCT shall find it necessary to have certain regulations and/or circular letters prepared and recommended to the Director General of the State Taxation Affairs Organization.
2. To review and conduct studies for the purpose of expressing opinion concerning the implementation of taxation laws and regulations, and also to submit recommendations either to the Minister of Economy and Finance or to the Director General of the State Taxation Affairs Organization, for amending or modifying taxation laws and regulations or deletion of some regulations.
3. To comment on taxation matters and problems which may be referred to the HCT by either the Minister of Economy and Finance or the Director General of the State Taxation Affairs Organization, for advice and comments as and when deemed necessary by the said Minister or Director General.
4. To examine the final verdicts and judgments pronounced by the Board of Settlement of Tax Disputes where a complaint shall be filed against them either by the taxpayer or by the Taxation Affairs Administration on the ground of their inconsistency with the statutory laws and regulations or deficiency of investigation and examination.

Article 256: When a complaint shall be received, within the statutory respite, from the taxpayer or the Taxation Affairs Administration, against the final decision of the BSTD, supported by evidence and documents, explicitly or implicitly alleging the violation of statutory laws and regulations or deficiency in investigations and examinations, the president of HCT shall refer the complaint for examination to one of the HCT benches.

The examining bench shall, without dealing with the substance of the case, consider the matter in order to find out whether the decision by BSTD conforms to the legal formalities and procedures and to the pertinent rules and regulations and then, on the basis of legal grounds and evidence, shall issue a verdict either reversing the decision by the BSTD or dismissing the complaint. The said verdict shall be issued by a majority of votes and the opinion of the minority shall be duly recorded and registered in the text of the verdict.

Article 257: When the decision referred to a bench of HCT shall be reversed, the case shall be referred to another BSTD. If there shall be only one BSTD in the location concerned, the case shall be referred to the BSTD in the nearest town in the same province. The latter BSTD shall investigate the case again in conformity with Chapter 3 of the present Book and shall issue an appropriate verdict by consideration of the opinion of the HCT. The verdict issued in the above manner shall be final and binding.

The same provisions shall apply to the verdicts issued by the BSTD which may be reversed and quashed by the Administrative Justice Tribunal.

Note: In cases where the verdicts issued by the BSTD shall be reversed by the HCT, a copy of the verdict of BSTD shall be sent to the Tax Disciplinary Prosecutor by the HCT for his consideration, with a view to prosecute the case if it shall be established that an offense was committed.

Article 258: In cases where different and varied procedures shall be applied in connection with identical cases by the benches of the HCT, as assigned and referred by the Minister of Economy and Finance or by the Director General of the State Taxation Affairs Organization or by the President of HCT, the Full Bench of the High Council of Taxation shall convene a meeting, to be attended by the President of HCT as well as the heads of the benches and in the absence of a head of a bench, a member of HCT who shall be appointed by the HCT President, in order to examine and review the matter of dispute, to adopt an appropriate decision and issue a verdict. Under such circumstances, the verdict issued by the Full Bench of the High Council of Taxation, which shall be approved by two-thirds (2/3) of its members, shall be binding and obligatory on the benches of HCT as well as BSTD's under identical and similar circumstances.

Article 259: Where the complaint against the decision of the BSTD shall be filed by the taxpayer, and if the taxpayer shall deposit an amount in cash or as a bank guarantee or estate security equal to the amount of tax specified in the said decision, or if he shall present a guarantor acceptable to the Taxation Affairs Administration, the BSTD's decision shall be suspended pending the issuance of a verdict by the High Council of Taxation.

Article 260: Deleted.

Chapter 5: The High Tax Disciplinary Board and Its Powers

Article 261: The High Tax Disciplinary Board (HTDB) shall consist of 3 principal members and 2 alternate members who shall be appointed upon a recommendation by the Director General of the State Taxation Affairs Organization, by the order of the Minister of Economy and Finance, from amongst the senior officials of the Ministry of Economy and Finance, well conversant with tax affairs and having a minimum service record of 16 years with at least six years in positions dealing with tax affairs. The term of office of the members of the High Tax Disciplinary Board (HTDB) shall be 3 years during which period they shall not be removed from their office except at their own request or by the final order of the Special Administrative Tribunal referred to in Article 267 of the present Act. At the end of the 3-year term, the members may be re-appointed.

The Chairman of the HTDB shall be appointed by the order of the Minister of Economy and Finance, upon a recommendation by the Director General of the State Taxation Affairs Organization, from amongst the principal members.

Note: The employees who shall pass through the stages referred to in Article 220 of the present Act, and who have already served in one of the provinces (excluding Tehran) in the position of director general shall have priority in being appointed to the above position.

Article 262: The functions and powers of the High Tax Disciplinary Board shall be as follows:

- a. To deal with the administrative offenses of tax officers and the representatives of the State Taxation Affairs Organization in BSTD and 3-member boards described in Clause (3) of Article 97 of the present Act as well as the individuals who perform the duties of the said officials in addition to carrying out their own duties upon instruction by the Tax Disciplinary Prosecutor. Prosecution and looking into cases referred to the former Tax Prosecutor's Office and the High Tax Disciplinary Board shall be undertaken by the authorities mentioned in this Chapter.
- B. To disqualify, at the request of the Tax Disciplinary Prosecutor, the above mentioned officials from continuing their service in tax affairs on moral grounds or for actions or conduct which shall be found contrary to the prestige of tax officials or for ill reputation and negligence in carrying out their duties.
- c. To verify the complaint of any officer whose competence shall not be confirmed by the Tax Disciplinary Prosecutor.

Chapter 6: Tax Disciplinary Prosecutor: His Duties and Powers

Article 263: The Tax Disciplinary Prosecutor (TDP) shall be appointed, upon a recommendation by the Director General of the State Taxation Affairs Organization, by the order of the Minister of Economy and Finance from amongst senior officials of The Ministry of Economy and Finance who shall have at least 10 years of service, 6 years of which spent in connection with taxation affairs.

Note: It shall be authorized for TDP to have sufficient number of assistants, accordingly a part of the powers of TDP shall be granted to the said assistants.

Article 264: The duties of the TDP shall be as follows:

- a. To detect and deal with the offenses and failures committed by tax officers and/or the representatives of the State Taxation Affairs Organization membering the Boards of Settlement of Tax Disputes, as well as the members of 3-member boards described in Clause 3 of Article 97 of the present Act and other officials responsible for collection of taxes in accordance with the provisions made in the present Act as well as any individual who shall perform the duties of the said officials in addition to his/her own duties, and to prosecute the said officials.
- b. To investigate about the reputation, actions and conduct of the above-said officials.
- c. To express opinion concerning the promotion of tax officers and the representatives of the State Taxation Affairs Organization membering the Board of Settlement of Tax Disputes.
- d. To bring legal action against taxpayers and tax officials in cases prescribed in the present Act.

Article 265: Inquiry and investigation shall be initiated on the following basis:

- a. Complaints filed by the interested party in respect of non-observance of the provisions stipulated in this Act.
- b. Reports received from official authorities.

c. Cases referred by the Minister of Economy and Finance or the Director General of the State Taxation Affairs Organization or the High Tax Disciplinary Board.

d. Cases directly observed by or brought to the notice of the TDP.

Note: The Tax Disciplinary Prosecutor shall look into the above cases received by him and, as the case may warrant, shall either file it, or issue a non prosecution order (acquittal) or prepare an indictment and submit it to the High Tax Disciplinary Board. Also, in cases where acquittal shall be issued, the matter shall be notified to High Tax Disciplinary Board which shall take direct action in cases where it shall not deem the said acquittal to be in compliance with the issue.

Article 266: The competent body to deal with offenses mentioned under Article 262 (a) shall consist of two members of the High Tax Disciplinary Board (excluding the Chairman) and one member of High Council of Taxation as nominated by the Council's Chairman. The said authority shall examine the cases referred to it in accordance with the provisions of this Act, those of the Law or Examination of Administrative Offence and other statutory regulations, and shall issue a verdict either condemning or acquitting the accused. The said verdict shall be appealable by the accused and the by the Tax Disciplinary Prosecutor, within 10 days as from the date it is served. The Appellate Body shall consist of 3 members, namely the Chairman of the High Tax Disciplinary Board, the Chairman of the High Council of Taxation and a member of the High Tax Disciplinary Board nominated by the Chairman of the said Board who did not have a role in issuing the initial verdict, The verdict issued by Appellate Body shall be final and binding.

Note 1: In cases where a member of the HTDB, whether in the first instance or appellate proceedings, shall have a record of issuing a judgment or giving an opinion with regard to the subject matter, the Minister of Economy and Finance shall appoint another individual to this end, as the case may be.

Note 2: In cases where the verdict of the reviewing authority shall be cancelled by the Administrative Justice Tribunal or if the case shall be assessed to be worthy of reconsideration, the matter shall be referred solely on the grounds stated by the said Tribunal to a board comprising three members appointed by the Minister of Economy and Finance, with one of them being the Director General of the State Taxation Affairs Organization. The verdict of the said hoard shall be final and binding.

Article 267: Disciplinary infringements by the members of the High Council of Taxation and those of the High Tax Disciplinary Board shall be dealt with, on the instructions of the Minister of Economy and Finance, in the Special Administrative Tribunal composed of a judge of the Supreme Court nominated by the President of the said Court, the President of the General Accounts Tribunal and the Director General of the State Taxation Affairs Organization. Such disciplinary infringements shall be considered and examined in conformity with the Law on Consideration of Administrative Infringements as well as other relevant rules and regulations, and the acquittal or conviction judgment shall be duly pronounced. Such judgment and verdict shall be final and binding.

Article 268: In cases where under taxation rules and regulations, notaries public, shall be required to discharge certain duties in connection with the transactions effected through them, if they shall fail to do so, they shall be prosecuted by the Tax Disciplinary

Prosecutor. The offending notaries public shall be tried and punished by the competent body mentioned in the Notary Public Offices Act. However, the Tax Disciplinary Prosecutor shall be authorized not only to file an indictment but also to assign a representative of the Taxation Affairs Administration at his disposal to attend the sessions of the afore-said body in order to give the necessary explanations.

Article 269: Infringements of the judges member of the BSTD arising from the discharge of duties to be carried out by the BSTD under taxation rules and regulations shall, upon being indicated and notified by the Tax Disciplinary Prosecutor, be investigated by the judges' Disciplinary Prosecutor's Office.

The Courts of Justice, upon indictment by the Tax Disciplinary Prosecutor, shall investigate infringements by retired judges as well as the representatives mentioned in Clause 3 of Article 244 of the present Act, and they shall be sentenced to appropriate punishments.

Article 270: The punishments laid down for offenses committed by tax officers and the representatives of the State Taxation Affairs Organization member of Board of Settlement of Tax Disputes in the following instances shall be as follows:

1. If after a tax assessment shall become final and not subject to protest, it shall transpire that the tax officers or the representatives of the State Taxation Affairs Organization member of the Board of Settlement of Tax Disputes assessed the taxpayer's income more or less than the actual Income, either intentionally or neglectfully, without taking into consideration the documents and evidence submitted by the taxpayer or making adequate queries, in addition to being liable for the losses incurred as determined by the High Council of Taxation, they shall be sentenced to administrative punishment the minimum of which shall be 3 months and the maximum of which shall be 5 years of suspension from the government service.
2. In cases where the tax due by taxpayers shall become time-barred or shall be rendered non-collectible in case of such declarations which are not required to be examined in accordance with the provisions set forth in Article 198, owing to failure or negligence of the tax officers, the offender shall by virtue of the verdict of the High Tax Disciplinary Board, be removed from taxation service and sentenced to appropriate punishment corresponding to the gravity of the case, as prescribed in the Law of Administrative Offenses.

The offending official shall also have financial liability for the amount of the loss sustained by the government (as determined by the High Council of Taxation), and as such the Tax Disciplinary Prosecutor shall sue him for damages in the civil courts of law. If the offending official shall be suspected of having bad intention, the Tax Disciplinary Prosecutor shall bring criminal charges against him.

The tax officers who shall proceed to re-open a tax case, shall be sentenced, by virtue of the verdict of the High Tax Disciplinary Board, to dismissal from government service for a period ranging from one to four years. Where such officials submit false reports on tax matters and thus intentionally cause the prosecution of taxpayers who are in fact not at fault, shall be tried by courts of law and sentenced to imprisonment for a term ranging from 6 months to 2 years. The courts shall give priority to hearing such cases.

The rules set forth above shall be applicable to the tax officers who, in case of the instances mentioned in Articles 156, 227 and 239 of the present Act, generally after the issuance of the tax assessment notice, at any stage, shall demand tax in respect of other activities of the taxpayer, whether that being of the same type or otherwise, without having acquired the necessary supporting documents, or such demand shall be made beyond the statutory period of respite in respect of the subject-matter of Articles 156 and 157 respectively.

Note: The procedure for trial and punishment of those charged with the above offenses shall, except where special provisions are stipulated for them under the present Act, be subject to the procedures laid down by the Law of Administrative offenses.

Article 271: In case of rejection of the statutory accounts books and documents of a taxpayer, where the 3-member Board, described under Clause (3) of Article 97 of the present Act, shall reverse more than one-fifth (1/5) of the opinion of the Taxation Affairs Administration (with due regard to the extended periods) within one fiscal year, the relevant officials being in charge of taxation shall be removed from taxation service for a period of one year. However, in case of repetition, they shall be permanently removed from the rank of taxation officer.

Article 272: The Auditing Organization of Islamic Republic of Iran, the chartered accountants and the auditing institutes member of the Chartered Accountant Society which are in charge of duties including auditing, legal inspection or auditing of the entities, shall be required, if so requested by the said entities, to draw up and prepare a Taxation Auditing Report in conformity with the sample form which shall be provided by the State Taxation Affairs Organization, and put the same at the disposal of the taxpayers in order that they submit such reports to the Taxation Affairs Administration concerned. The said report shall include the following:

- a. Making comments as for the sufficiency of the accounting documents, vouchers and evidence for auditing purposes, in conformity with the provisions laid in the present Act as well as the applicable rules and regulations, duly observing the accounting criteria, principals and standards.
- b. Determination of the taxable income on the basis of the provisions made in the present Act as well as the relevant rules and regulations.
- c. Making comments as for with holding taxes which, by virtue of the Law, the taxpayer is required to deduct and duly pay the same to the State Taxation Affairs Organization.
- d. Other instances and cases as specified in the sample Taxation Auditing Report by the State Taxation Affairs Organization.

Note 1: The Taxation Affairs Administration shall accept the Taxation Auditing Report without further review and examination and shall proceed to issue the tax assessment notice in conformity with the applicable regulations. However, the Taxation Auditing Report shall be accepted only if, when submitting the Taxation Auditing Report to the relevant Taxation Affairs Administration, the taxpayer shall attach to the said Report, the fiscal auditing report in respect of the financial statements drawn up and prepared, according to accounting standards by the same chartered accountant or the auditing

institute, simultaneous with submission of the tax return, or maximally within 3 months after the date of expiry of the respite laid down for submission of the tax declaration.

Note 2: The State Taxation Affairs Organization shall be authorized to assign to the chartered accountants or auditing institutes, the responsibility of auditing of the financial statements and preparation of taxation reports required by the natural persons and legal entities. In this case, the relevant fees shall be paid, in conformity with the applicable rules and regulations, by the State Taxation Affairs Organization.

Article 273: The present Act shall take effect as of the beginning of Iranian year 1381 (March 21, 2002). Accordingly, the legal entities whose fiscal year commences after Farvardin 1, 1380 (March 21, 2001), shall be subject to the present Act with regard to the manner of consideration and taxation rate. As of the date of enforcement of the present Act the laws and regulations standing contradictory to the present Act, excluding the tax provisions laid down and prescribed in the Law on the Third Economic, Social and Cultural Development Plan of Islamic Republic of Iran, in force during the period of implementation of the said Development Plan, as well as Article 13 of the Law on the Administration of Free Trade-Industrial Zones of Islamic Republic of Iran, approved on August 28, 1993 (7.6.1372), and the Interpretation ratified on April 9, 1995 (21.1.1374) in connection with the latter Law, shall be considered null and void. The same provision shall apply to the contrary and inconsistent laws and regulations the applicability of the general laws and regulations thereto requires mentioning or reiterating their name or title.
