

ON REGISTRATION OF BRANCHES AND REPRESENTATIVE OFFICES OF FOREIGN COMPANIES IN IRAN

1. The Law Permitting Registration of Branches and Representatives Offices of Foreign Companies Approved on November 11, 1997

Sole Article- The foreign companies considered as being legal in their own countries of origin may, on provision of reciprocal treatment by their governments in respect of Iranian companies, set up branches and representative offices in Iran to carry out the businesses authorized by the government of Islamic Republic of Iran in due compliance with the Laws of Iran.

Note- The Executive By-laws of this law shall be proposed, by the Ministry of Economy and Finance with the cooperation of other pertinent authorities, for approval, to the Council of Ministers

2. A Brief History of Registration of Companies and Branches of Foreign Companies

Registration of foreign companies and their branches in Iran prior to and after the Islamic revolution are described below:

a. The Period Prior to the Islamic Revolution

The registration of foreign companies and their branch offices in Iran, prior to the Islamic revolution, used to be carried out on the basis of Article 3 of the Act of Registration of Companies approved on May 31, 1932 and its subsequent amendments in compliance with Articles 4, 5, 6, 7, 8 and 9 of the same law as well as Articles 1 to 24 of the Executive By -Laws of the Act of Registration of Companies approved on May 22, 1931 and its subsequent amendments.

There existed no obstacle for registration of (Iranian) companies by foreigners and no major difference existed between registration of Iranian companies by foreigners and registration of branches or representative offices of foreign companies.

b. The Period After Islamic Revolution

Registration of Iranian companies by foreigners as well as the registration of branches and representative offices of foreign companies, after the Islamic Revolution, was first considered as being contrary to Article 81 of the Constitution of Islamic Republic of Iran that provides that "Granting the concession of formation of companies and institutes to foreigners in the fields of commerce, industry, agriculture, mining and services shall be strictly forbidden."

Due to this reason, Martyr Rajai, the prime minister at that time, through a letter No.8340 dated March 27, 1981 made an inquiry, in this respect, from the Guardians Council, that replied, through an opinion dated April 2, 1981, that "foreign companies that have concluded legal contracts with Iranian government organizations may register the branches of their companies in Iran according to Article 3 of the Act of Registration of Companies in order to carry out their legal obligations and conduct their businesses within the limits set forth in the contracts concluded by them and such registration shall not be in contravention of the provisions of the IRI Constitution."

After declaring the above opinion by the Guardians Council, the branches of foreign companies that had concluded contracts with government bodies (ministries, government organizations and government companies) could be registered in Iran in due compliance with the opinion of the Guardians Council in respect of Article 81 of the Constitution and presentation of a letter of introduction issued by the government body concerned as well as a copy of the relevant contract and other required documents.

The government presented a bill on "permitting registration of branches and representative offices of foreign companies" to the Islamic Consultative Assembly with due consideration of the international trends and the wish by foreign companies to operate in the Islamic Republic of Iran. The above law was approved by the Islamic Consultative Assembly and confirmed by the Guardians Council.

3. The Companies Authorized to Register Their Branches or Representative Offices in Iran

The Council of Ministers approved the Executive By-Laws of the Law Permitting Registration of Branches and Representative Offices of Foreign Companies under No.019776T/M/78-930 on May 2, 1999. According to Article 1 of these By-Laws, the companies that are considered as legal companies in their countries of origin i.e. have been formed on the basis of the laws and regulations of those countries and are legal entities, may set up their branches or representative offices in Iran, on the basis of the applicable laws and regulations, in order to carry out the businesses mentioned hereafter.

Therefore, registration of foreign companies in Iran will be carried out on the basis of reciprocal treatment and authorization of Iranian companies to be registered in those countries.

4. The Fields of Activities Permitted to be Carried Out by Foreign Companies

1. Supply of after sales services of foreign companies

In cases where foreign companies supply goods or services to Iranian subjects, the said companies may apply for registration of their branches or representative offices in Iran for supply of after sales (guarantee and warranty) services in Iran.

2. Carrying out the executive works of the contracts concluded between Iranian subjects and foreign companies

The foreign companies being parties to the contracts concluded with Iranian subjects (Iranian natural persons and legal entities of private and public sectors) may require that their branches or representative offices shall be registered in Iran.

3. To investigate and provide the means for investment by foreign companies in Iran.

It must be first noted that those foreign companies wishing to make investment in Iran may take anyone of the following two actions:

a. Within the framework of the "Law on Attraction and Protection of Foreign Investment" through authorization to be given by the Organization for Investment and Economic and Technical Assistance and by submitting the required documents after obtaining an approval to be made on a case by case basis by the Council of Ministers.

b. Entering into joint ventures directly with Iranian natural persons and legal entities through creating a joint venture company or by making investment in already existing joint venture companies.

Foreign companies may set up branches or representative offices in order to conduct studies and preparing grounds for investment by using anyone of the above two methods.

4. Entering into cooperation with Iranian technical and engineering companies for the purpose of carrying out projects in a third country.

In cases where Iranian technical and engineering companies have been designated to carry out industrial, technical, development, and other activities in a third country and for such purpose, agreements shall be concluded by and between the Iranian company and companies from other countries, the foreign company being party to such agreements may set up a branch or representative office of its company in Iran by submitting the required documents. Also, in case a foreign company designated to carry out a technical or engineering work in a third country wishes to carry out such work through a joint venture with an Iranian technical and engineering company, it may set up its branch or representative office in Iran.

5. Increase of non-oil Iranian exports and transfer of technical know-how and technology.

The foreign companies operating in the field of and contributing to development and increase of exports of Iranian non-oil products including industrial and agricultural products and handicrafts,

The foreign companies transferring the know-how on production of various products to Iranian nationals, And the foreign companies possessing the technology in respect of industrial products that intend to transfer the technology in respect of production of the said products to Iranian nationals through setting up factories and plants, may register a branch or representative office of their company in Iran.

6. Carrying out activities that require a permission from the relevant government organizations such as offering services in the fields of transportation, insurance, surveillance, banking, marketing, etc.

The foreign companies that have entered into a contract to supply services in various fields that require a permission to be issued by a government organization, with a government body, may register a branch or representative office of their companies in Iran.

In all other cases, offering services in the fields of transportation at sea, on land (road and rail) and by air, shall require permission from the pertinent organizations such as the Organization for Transportation and Terminals. Also, operation in the field of banking shall require permission from the Central Bank of Islamic Republic of Iran. Similarly, operating in many other fields shall require permission from the pertinent organizations to carry out business in Iran.

5. Branch Office of a Foreign Company

According to Article 2 of the Executive By-Laws of the Law Authorizing Registration of Branches and Representative Offices of Foreign Companies, a branch of a foreign company is a local (Iranian) wing of the original company that carries out the business and functions of the head office of the company in Iran directly through one or more principal representative(s).

6. Responsibilities of a Foreign Company

A branch office is deemed to be carrying out business in Iran on behalf of the head office of the company for all such business the head office shall be responsible. Therefore, the head office of the company shall have all the duties and functions of the branch office for which it shall be answerable.

7. The Documents Required for Registration of the Branch Office of a Foreign Company

Foreign companies intending to set up a branch office of their companies in Iran must submit the following documents to the Companies Registry in Tehran:

1. Request in writing to be submitted by the company.
2. Certified photocopies of the articles of association, notice of incorporation, and the last changes in the company registered with the authorities concerned.
3. The last confirmed financial report of the company.
4. A feasibility study in which the information on activities of the company have been described. The feasibility study must also contain the following information:

- a. Information concerning activities of the company.
- b. A description of the reasons and the needs for registration of the company in Iran.
- c. A description of the type and scope of authorities and the place of operation and business of the branch office of the company in Iran.
- d. An estimate of the required local and expatriate work force.
- e. The manner of procurement of the funds in rials and in foreign currencies required for running the affairs of the branch office.

5. Presentation of a letter of introduction from a government entity in case the branch has been set up for implementation of an agreement between the foreign company and that government entity.

6. The Statement of Registration (a form to be filled in and signed by the foreign company).

7. The Certificate of Registration (a form to be filled in and signed by the foreign company).

8. The Letter of Authorization given by the foreign company to its principal representative(s) in Iran.

9. A Letter of Undertaking whereby the foreign company undertakes to wind up and close down its branch office in Iran in case the activity permit given to the branch office by Iranian authorities shall be revoked and cancelled.

The branch office in such case must be closed down by designating a liquidator who shall wind up and liquidate the branch office within a period to be specified by the Companies Registry.

10. All documents prepared by the foreign company for the above purpose must be certified by the authorities concerned (such as local registries, followed by confirmation by the Foreign Ministry of that country and then confirmed by Iranian embassy there. The above said documents must thereafter be translated into Persian by official translators and certified by the Judiciary and the translations and original documents must then be submitted to the Companies Registry for registration of the branch office of the company.

8. Agents (local) and Representatives

By "agent" of a foreign company, it is meant a natural person or a legal entity that, on the basis of an agency agreement, carries out some of the activities and functions of the principal company in Iran.

9. Responsibilities of Agent(s) of Foreign Companies

The Agent(s) of a foreign company shall be responsible for the activities in Iran carried out in the name of the principal company.

10. Management of Affairs of Agent(s)

The management of affairs of agencies registered in Iran in accordance with the Executive By-Laws of the Law Permitting Registration of Branches and Representative Offices of Foreign Companies, must be carried out by one or more natural persons domiciled in Iran.

11. The Documents Required for Registration of Representative Offices of Foreign Companies

a. In cases where a natural person shall act as the representative of a foreign company, the Persian translation of the following documents and evidences must be submitted to Companies Registry:

1. Certified photocopy of the Agency Agreement concluded with the foreign company.
2. Photocopy of the Identification Booklet (shenas'nameh).
3. The address of the place of residence of the agent and the address of the office of the agent.
4. Presentation of the past record of activities of the agent in respect of the works to be carried out under the agency agreement.
5. A certified photocopy of the articles of association of the principal foreign company, together with the notice of registration and the last changes of the company registered with the competent authorities.
6. A report on the activities of the principal foreign company and a description of the reasons on the necessity of obtaining agency.
7. The last audited fiscal report of the principal foreign company.
8. Submitting a letter of introduction by the ministry concerned (in case the contract has been concluded with a government entity).
9. Statement of Registration of foreign company.
10. Certificate of Registration of foreign company.
11. A letter of authorization of the principal representative(s) of the foreign company.
12. All documents of the principal company that will be drawn up in foreign countries must be certified by the authorities concerned (such as the companies registries), confirmed by the foreign ministries of those countries and confirmed by the Iranian embassy there. The above said documents must be translated into Persian by official translators and certified by the Judiciary. The translations and original documents must then be submitted to the Companies Registry for registration of the agency.

b. In cases where a legal entity acts as the agent of a foreign company, it must submit the Persian translation and the original copies of the following documents to the Companies Registry:

1. A certified photocopy of the agency agreement concluded with the foreign company.
2. A certified copy of the articles of association of the company applying for registration of agency.
3. The notice published in the Official Gazette in respect of incorporation of the applicant company.

4. The Notice published In the Official Gazette of the last registered changes, especially in respect of the directors of the applicant company.
5. The records and history of activities of the legal entity applying for registration of agency in respect of the works undertaken under the agency agreement.
6. The articles of association of the foreign principal company, its Notice of incorporation and its last changes registered with the authorities concerned.
7. A report on the activities of the principal foreign company and a description of the reasons on the necessity to obtain the agency of that company.
8. The last audited financial report of the foreign principal company.
9. Submitting a letter of introduction of the ministry concerned (in case the contract has been concluded with a government entity).
10. Statement of Registration of the foreign company.
11. Certificate of Registration of the foreign company.
12. All documents of the principal company that will be drawn up in foreign countries must be certified by the authorities concerned (such as the Companies Registry), confirmed by the Foreign Ministry in those countries and certified by Iranian embassy there. The above said documents shall be translated in to Persian by official translators and certified by judicial authorities. The translations and the original documents shall then be submitted to the Companies Registry for registration of the agency.

12. Reports in Respect of Activities of Agents (representatives) in Iran

The Agents or Representatives of a foreign company in Iran, according to Article 8 of the Executive By-Laws of the Law Permitting Registration of Branches and Representative Offices of Foreign Companies, are under the obligation to report the activities of foreign companies in Iran together with the audited financial statements of the company, within four months after the expiry of the fiscal year, to the government authorities concerned in Iran.

Note- Duties and Responsibilities of a Branch of Foreign Company:

1. Winding up and liquidation of the branch office in case of revocation of the permission granted to the foreign company to operate in Iran.
2. Submission of the annual report on the activities of the head office comprising fiscal statements audited by independent auditors in the country of origin of the company, to the authority concerned in Iran.
3. Submission of the activity report of the branch or representative office in Iran together with the audited fiscal statements within four (4) months after expiry of the fiscal year, to the authority concerned in Iran set forth

under Article 8 of the Executive By-Laws of the Law Permitting Registration of Branches and Representative Offices of Foreign Companies in Iran.

4. Management and running the affairs of the branch or representative office by one or more natural person(s) domiciled in Iran.

Letter of Undertaking to Be Signed by the Principal Representative of the Foreign Company in Iran

I,, the undersigned, in my capacity as the Principal Representative of..... in Iran, pursuant to Article 6 of the Executive By-Laws of the Law Permitting Registration of Branches and Representative Offices of Foreign Companies in Iran, approved on March 30, 1999 by the Council of Ministers and the Note under the above Article, do hereby agree and undertake that in case the permission for operation of the branch or representative office of the above company in Iran shall be revoked by the authorities concerned, I shall wind up and close down the branch or representative office of the company within the respite to be allowed by the companies Registry and shall complete the liquidation proceedings within the statutory period. In case of my failure to wind up and close down the branch or representative office within the allowed period, the Companies Registry shall be permitted to directly wind up and close down the branch or representative office.

Fully Authorized Representative.....

Islamic Republic of Iran
Ministry of Justice
Department of Registration of Companies and Industrial
Proprietary Rights

Statement of Registration

I, the undersigned, do hereby declare that I am fully authorized to make the following statements on behalf of the name of foreign company by virtue of the Letter of Authorization/Power of Attorney annexed hereto:

1. Full name of the company:

2. Type of the company and names of partners in case the company is a partnership or some of the partners are jointly liable for the debts of the company:
3. The address of the principal place of business of the head office of the company:
4. Nationality of the company:
5. The amount of capital of the company: The capital of the foreign company: to be mentioned in the relevant foreign currency and the equivalent thereof in Iranian rials at the official rate of exchange declared by the Central Bank of Islamic Republic of Iran
6. The place of registration of the head office of the company: the place of the registration as per the Laws of the country where the company has been registered.....
7. The date of registration of the head office: the date in A.D. and Iranian A.
H.....
8. The authority with whom the company has been registered in its country of origin:
9. The industrial, commercial or financial activities being the objects of the company in Iran:
objects of the branch office in Iran.
10. The addresses of branches in Iran: the address of the branch office in Tehran as well as other cities in Iran.
11. The name and address of the Principal Representative as well as the independent representatives in Iran:
..... the name(s) and address(es) of the Representative(s) of the company in Iran
.....
12. The name(s) and addressees) of the person(s) authorized to receive all notices to be served on the company the name(s) and address(es) of the individuals (other than the company representative(s) in Iran) who may receive notices and declarations pertaining to the branch office
.....
13. The name(s) and addressees) of other representatives who may sign on behalf of the company: the name(s) and address(es) of those individuals (other than the principal representative(s) who may sign on behalf of the company .
14. A copy of the articles of association, and a copy of the Letter of Authorization of the principal representative(s) of the company in Iran as well as a copy of the last balance sheet of the company, all of which have been drawn up according to Article 7 of the Executive By-Laws of the Act of Registration of Companies, are enclosed herewith.

15. I hereby obligate myself and agree to submit, each year, a copy of the last balance sheet of the company to the Companies Registry.

Date: Iranian solar A. H. year.....

Signature by Principal Representative(s) or the official attorney-at-law in charge of registration of the company by indicating full name

Justice Administration of IRI
The Organization in Charge of Registration of Deeds & Properties
The Department in Charge of Registration of Companies and
Industrial Proprietary Rights

Certificate of Registration

1. Complete name of the company:
2. Type of the company and names of partners in case the company shall be a partnership:
3. Full address of the head office of the company abroad:
4. Nationality of the company:
5. Amount of capital of the company on the date of registration of the branch office: the registered capital of the company in the original foreign currency and its rials equivalent converted at the official exchange rate of the Central bank of Islamic Republic of Iran
- 6 . The place of registration according to the Laws of the country of origin:Place (city, country) of registration of the head office.....
7. Date of registration of the head office: the date of registration in A. D. and Iranian solar A. H.....
8. The name of the competent authority, in the country of origin, who registered the company:
9. The industrial, commercial or financial activities being the objects of the company in Iran:
10. The date of registration of the company in Iran:
11. The address of branch office (in case the registration shall involve a branch office):

Date:

The Procedure and Phases of Registration of a Branch or Representative Office of a Foreign Company

1. The Principal Representative of the Foreign Company or his attorney-at-law shall first obtain the forms and documents described in Sub-clauses 7, 11, 15 and 16 below and shall then act in the following manner:
2. Reference must first be made to the Accounts Department of the Companies Registry and a bank receipt for payment of the costs of investigation of the name of the company must be obtained. Then payment must be made to the relevant branch of Bank Melli Iran in order to effectuate the receipt. Reference must then be made to the above said Accounts Department in order to have the Statement of Registration stamped.
3. The documents must then be submitted to the names verification section of the Companies Registry in order that the officer in charge shall certify, on the Statement of Registration, that the name of the applicant company has not been previously registered and that the company may therefore be registered.

It should be noted that the actual name of the applicant foreign company must be submitted by adding the words "the branch office of " or "the Representative office of ". The names may never be abbreviated, translated into Persian or otherwise tampered with or curtailed.

4. The documents shall then be submitted to the reception desk of the Companies Registry against a receipt on which a date for reference of the applicant has been mentioned.
5. The results of verification and examination of the documents shall be declared to the applicant upon his reference to the Companies Registry on the date mentioned in the receipt, and the documents required for registration shall be returned to the applicant.
6. Should the expert verifying the registration documents observe no defects or deficiencies in the documents, the expert shall authorize registration of the branch or representative office by issuing the draft Notice of Registration. The said Notice shall be signed by the Registrar after completion of the following acts:
 - 6.1 The applicant shall collect the required bank receipts from the Public Relations Dept. of the Companies Registry and shall pay, to the above bank branches, the registration duties, and the costs of publication of notice in a newspaper of mass circulation.
 - 6.2 The receipts certified and stamped by the bank shall be submitted to the Accounts Department of the Companies Registry where the accountant in charge shall certify, on the face of the Statement of Registration, payment of the said charges.

6.3 Reference shall then be made to the Registrar of Foreign Companies where the details pertaining to the branch or representative office shall be registered in a register and signed by the applicant and the registration number of the foreign company shall be inserted in the Notice of Registration.

6.4 At this point, the Registrar of Foreign Companies shall sign the Notice of Registration and the notice shall be recorded in a log book.

6.5 A copy of the Notice of Registration shall then be submitted to the Public Relations Dept. of the Companies Registry against receipt in order to be sent to a newspaper of mass circulation for publication of the notice.

7. The original copy of the Notice of Registration of Foreign Company must be delivered to the Bureau of Official Gazette in Behesht A venue, South of City Park, by the Applicant for publication of the notice in the Official Gazette.

The Notice shall be registered, after collecting the required charges, in a log book, at the said Bureau and a receipt shall be given to the applicant. On the receipt the date of referring to the said Bureau has been mentioned to collect the required copies of the Official Gazette through which the Notice of Registration has been published.

However, should there exist defects and deficiencies in the submitted documents, the expert examining the documents shall note such defects and the registration documents shall be returned to the applicant to rectify the defects.

The corrected documents and forms together with all other registration documents shall then be submitted to the reception desk of the Companies Registry in order to be examined, once again, according to the above procedure.

EXECUTIVE BY-LAWS ON REGISTRATION OF BRANCHES AND PRESENTATIVE OFFICES OF FOREIGN COMPANIES IN IRAN

The Council of Ministers, in the course of a meeting held on March 31, 1999 (11.1.1378), pursuant to a proposal made by the Ministry of Economy and Finance and in compliance with the Note appended to the Sole Article of the Law ratified in 1997 authorizing registration of branches and representative offices of foreign companies (in Iran), approved the Executive By-laws of the said Law as follows:

Article 1: A foreign company known and admitted as a legal company in the country of registration, shall be authorized to have its branch or representative office registered in Iran for the activities listed below, in case of reciprocal treatment of Iranian companies there and also with due regard to the requirements intended herein, as well as the other pertinent regulations:

1. After-sale services for goods and services supplied by the foreign company.
2. Executive works of the contracts signed between Iranian and foreign companies.
3. Review and preparation of grounds for investment by the foreign company in Iran.
4. Cooperation with technical and engineering companies in Iran, for performance of works in a third country.
5. Promotion of Iranian non-oil exports.
6. Technical and engineering services and transfer of technology and technical know-how to Iran.
7. Activities legally licensed by the authorized Iranian government authorities, in such areas as transportation, insurance, goods inspection, banking, marketing and the like.

Article 2: A branch office of a foreign company shall be the local office of the principal company which directly functions and attends to business within the objectives and duties undertaken by the principal company. Therefore, any business activity by such branch office shall be in the name and under the responsibility of the principal office of the company.

Article 3: A foreign company wishing to have its branch office registered in Iran, shall provide the Companies and Industrial Ownership Registry, with the following information and documents, to be submitted along with a written application:

1. Company's articles of association, notice of incorporation, and the last change(s) registered with competent authorities.
2. The last audited fiscal report of the company.
3. A feasibility report containing information on the company's activities, by mentioning the reason(s) for registering the branch office in Iran, nature and scope of its authorities and area of activities, as well as the number of Iranian and foreign manpower needed for such activities and its intended source of rial and foreign currency.

Article 4: The representative (agent) of a foreign company shall be a natural person or legal entity who, by signing a contract, undertakes to carry out certain part of the duties of the company it represents in Iran. Therefore, such representation (agency) shall be fully liable for all activities that it renders in Iran on behalf of the Principal.

Article 5: Iranian natural persons and juridical entities applying for registration of agency and representation office of a foreign company in Iran shall submit, along with a written application, a Persian translation of the original copies of the following documents, to the Companies and Industrial Ownership Registry:

1. Attested Photostat of the contract referred to in Article 4 above.

2. Identity papers of the applicant; for natural persons, a photostat of their shenas'نامه together with their legal address, and for juridical entities, the company's articles of association and the last change(s) made in the company and registered with the competent authorities.
3. A profile of the Applicant's previous business activities on the area(s) of activities of the Principal Company.
4. The articles of association of the foreign company, notice of establishment and the last change(s) made in the company registered with the competent authorities.
5. A report on the activities of the foreign company to be represented, by mentioning the reason(s) for obtaining the right of representation of the principal company in Iran.
6. The last audited fiscal report of the foreign company intended to be represented.
7. A letter of introduction from the ministry concerned.

Article 6: Those whose license of activity shall be revoked by the competent authorities shall take the necessary actions through the Companies & Industrial Ownership Registry for winding-up their branch or representative office, within the period specified for the same purpose.

Note: The companies whose license of activity shall not be extended will be given a period of 6 months to wind up the registered company and proceed with liquidation.

Article 7: The branch office of a foreign company registered and working in Iran shall submit, every year, to the authorities concerned, a report on their principal company, including their annual fiscal report audited by independent auditors in the country of origin.

Article 8: Natural persons and juridical entities falling under the requirements hereof shall be required to submit a report on their branch office activities in Iran together with audited accounts, statements, within four(4) months after the end of each fiscal year. As long as the Executive Regulations of Note (4) to the Single Article of the Law approved in 1992, for using the services of specialized and professional accountants known as "Official Accountants" are not ratified, the intended auditing may be made by accounting firms whose partners are natural persons acceptable to the supervisory office of the Auditing Organization.

Article 9: The branch or representative office of a foreign company registered in Iran pursuant to these regulations shall be operated by one or more natural person(s) residing in Iran.

Article 10: To enable foreign companies to fully enjoy the benefits and advantages foreseen by this present Regulation and to perpetuate their activities in Iran, foreign companies already operational in Iran prior to the date of entry into force of this Decree, are required to provide the authorities concerned with documents and information required pursuant to Articles 3 and 5 above, and also take the necessary steps for adjusting their status to the requirements set forth by this Regulation.