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Branches and Representative Offices  
of Foreign Companies

## Branches and Representative Offices of Foreign Companies

### Introduction

A foreign company may establish a branch or representative offices in Iran. The Law Permitting Registration of Branches and Representative Offices of Foreign Companies in Iran approved on November 1997 ,11:

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

### A-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/930-78 on May 1999 ,2. According to the 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.

### B-The Differences Between the Agency, the Representative and the Branch of a Foreign Company in Iran

In case that the office of the company shall engage in carrying out the works undertaken by the head office of the company such as executing the works under a contract concluded by and between the head office of the company outside Iran and a client in Iran, the registered office shall be known as a Branch Office. In cases where the office's responsibilities include representing its head office before its clients and selling the products of its head office in Iran, carrying out after sales services and negotiation of the terms of agreements to be concluded by the company and its clients in Iran and concluding agreements with those clients the office shall be known as a Representative Office. The office shall be called a Liaison Office in cases where the office of a company shall be solely engaged in conducting market research activity on behalf of its head office, reporting the business opportunities available for the company to its head office in order to present the relevant proposals (Performa Invoices) which shall be made directly by the head office to the clients in Iran. Therefore, the office shall not be in a position to generate any income of its own in Iran and its expenses shall be covered by transfer of funds by its head office from outside of Iran.

### C-The Fields of Activities Permitted to Carry 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 mentioned companies may apply for registration of their branches or representative offices in Iran for supplying 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 which are parties to the contracts concluded with Iranian subjects (Iranian natural persons and legal entities of private and public sectors) may be required to register their branches or representative offices in Iran.



## C-The Fields of Activities Permitted to Carry Out by Foreign Companies

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

First it must be noted that those foreign companies wishing to make an investment in Iran may take any of the following two actions:

- a. Within the framework of the "Law on Attraction and Protection of Foreign Investment" through authorization 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 real 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 due diligences and pave the way for investment by using any of two above-mentioned 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, developmental and other activities in a third country the agreements shall be concluded by and between the Iranian company and companies from other countries. The foreign company as the 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 where 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, may set up its branch or representative office in Iran.

### 5. Increase of Iranian non-oil exports and transfer of technical expertise and technology

The foreign companies operating in the field of Iranian non-oil products contribute to development and increase of these products including industrial and agricultural products and handicrafts. They also transfer the knowledge about production of various products to Iranian nationals. Since the foreign companies possessing the technology of industrial products intend to transfer the technology of producing the mentioned 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 required a permit 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 fields of transportation including sea, land (road and rail) and air transportation shall require permission from the pertinent organizations such as the Organization for Transportation and Terminals. Also, operation in 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.



## D- 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).

## E- Documents required for registration of branch offices of foreign companies

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

The feasibility study must also contain the following information:

- Information concerning activities of the company
  - A description of the reasons and the needs for registration of the company in Iran
  - 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
  - An estimate of the required local and expatriate work force
  - 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 out and signed by the foreign company)
  7. The Certificate of Registration (a form to be filled out 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 windup 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 canceled. The branch office in such a case must be closed down by designating a liquidator who shall windup and liquidate the branch office within a period 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 located therein. The above -mentioned documents must thereafter be translated into Persian by the official translators and certified by the Judiciary. Then the translations and original documents must be submitted to the Companies Registry for registration of the branch office of the company.

## F- Responsibilities of a Foreign Company in respect to Branch Office

In a branch office which is deemed to carry out business in Iran on behalf of the head office of the company, the head office shall be responsible for all such business. Therefore, the head office of the company shall carry out all the duties and functions expected of him.

## G- Agents (local) and Representatives

"Agent" of a foreign company means a real 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



## H- Documents Required for Registration of Representative Offices of Foreign Companies

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

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 to 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 concerned ministry (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 in (such as the companies' registries) and confirmed by the foreign ministries of those countries as well as by the Iranian embassy therein. The above-mentioned 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 of 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 Registry Companies

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 to incorporation of the applicant company
4. The Notice published in the Official Gazette of the last registered changes, especially in respect to the directors of the applicant company
5. The records and history of activities of the legal entity applying for registration of agency in respect to 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 (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 in (such as the Companies Registry), confirmed by the Foreign Ministry in those countries and certified by Iranian embassy therein. The above-mentioned documents shall be translated into Persian by official translators and certified by judicial authorities. The translations and the original documents shall then be submitted to the Registry Companies for registration of the agency.



## I- Responsibilities of the Branch Office and 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.

- Windup and liquidation of the branch of office in case of revocation of the permission granted to the foreign company to operate in Iran
- Submission of the annual report on the activities of the head office comprising fiscal statements audited by the independent auditors in the country of origin of the company to the authority concerned in Iran
- 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
- Management and running the affairs of the branch or representative office by one or more real person(s) domiciled in Iran

## J- Management of the Agent(s)' Affairs

The management of affairs of the 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 real persons domiciled in Iran.

## K- Reports in Respect to Activities of the Agents (representatives) in Iran

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

## L- The Tax Applicable to the Agencies & Branches of Foreign Companies in Iran

Representatives and branches of foreign companies in Iran which are working for a parent company in order to gather economical information and data as well as marketing without right to carry out transaction and receive money from the parent company to compensate for their expenses shall not be subject to income tax. Note 3 of the Article 107 of the Direct Tax Act illustrate this more clearly:

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

