

## Free Trade Zones & Special Economic Zones in IRAN

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The philosophy for the establishment of Free Trade Zones (FTZ) and Special Economic Zones (SEZ) is, as it has been mentioned in respective laws, to provide prosperity, economic development and growth, promotion of investment, active presence in local and international markets, production of industrial goods and services, increase in national income and increase in employment. Such zones have facilitated trade and industrial activities and they have promoted investment benefiting from great reduction in formalities such as: customs, banking and financial systems, insurance and labour laws, foreigner entrance etc.

According to the “Law on the Administration of Free Trade-Industrial Zones [LAFTIZ]” dated August 28, 1993, Kish Island, Qeshm Island, Aras, Anzali, Makou, Arvand and the Port of Chabahar were declared as the Free Zones of Iran. The council of ministers later adapted the bylaws of

On the other hand, Subject to “The Law on the Establishment and Management of Special Economic Zones [LEMSEZ]” dated 26 November 2005, In order to support economic activities, establish international commercial relations, motivate regional economy, produce and process

the free zones. These bylaws have defined and set out all regulations pertaining to import, export, investment, insurance, banking, labour and employment in these zones.

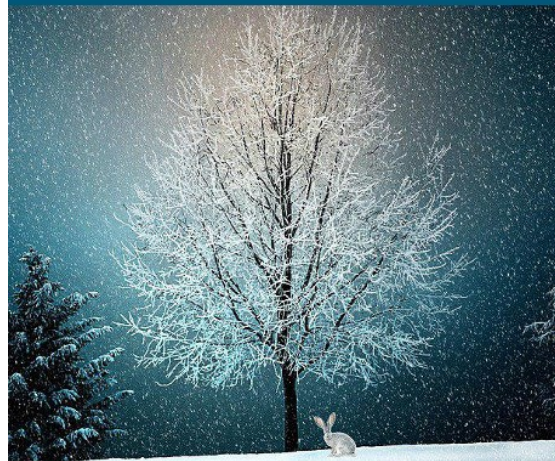
goods, transference of technology, exportation of non-oil materials, job creation, attraction and encouragement of domestic and foreign investments, re-export, foreign passage to abroad (transit), and transference of goods (transshipment), Special Economic Zones established.

Although there might be some similarities between Free Trade Zones (FTZ) and Special Economic Zones (SEZ), they are different in many aspects. For instance:

- While there is a 20-year tax exemption in FTZ, tax regulations in SEZ are like the rest of the country.
- Retail sale in SEZ are allowed just for foreigners, but in FTZ both Iranians and foreigners can do so.
- Visa regulations in SEZ are just like the general rules of the country, but in FTZ visa is given in the borders.
- Labor regulations for hiring foreign workers in FTZs are special for those regions while in SEZs it is according to the country's law.
- Currently there are only 7 Free Trade Zones in Iran while there are more than 26 SEZs in Iran.

As a general rule and as the names suggest, investment facilities in FTZs are more expanded than SEZs.

## Differences between FTZ and SEZ



## Incentives and Advantages for Investment in Free Trade Industrial Zones

The following incentives and advantages are granted to investments in the Free Trade Industrial Zones:

1. Tax exemption for 20 years from the date of operation for all economic activities
2. Foreign investment in any amount
3. Freedom of entry and exit of capital and profits



4. Protection and guarantees for foreign investments
5. Abolition of entry visas and easier issue of residence permits for foreigners
6. Facilitated regulation on labour relations, employment and social security
7. Transfer of partly manufactured goods to the mainland without paying customs duties.
8. Elimination of customs duties on imports from outside to the region
9. Employing trained and skilled manpower in all different skill levels and professions
10. Utilization of raw materials, oil and gas as feedstock and fuel for all industrial activities.

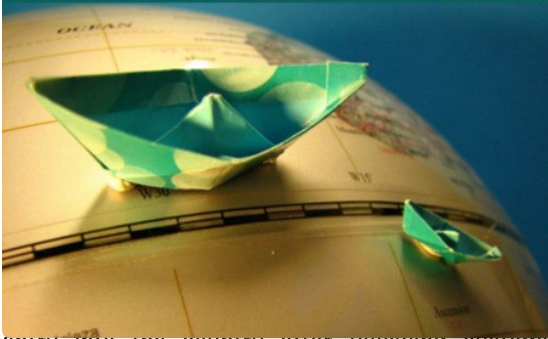
The following incentives and advantages are granted to investments in the Free Trade Industrial Zones:

1. Import of goods from the above mentioned zones into the mainland for domestic consumption will be subordinate to export and import regulations, and export of goods from these areas into other countries will be carried out without any formalities.
2. Import of goods from abroad or other free trade zones or industrial areas will be carried out with minimal customs formalities and internal transit of imported goods will be performed in accordance with the relevant regulations.
3. Log entry of merchandise subject to the laws and regulations of special zones will be done without any customs formalities.

Incentives  
and  
Advantages  
for Investment in  
Special Economic  
Zones



## Should I go to a Free Trade Zone or Special Economic Zone?



entry into the country after following customs clearance regulations.

7. If the processing of imported goods results in a change of the tariff of goods, the rate of commercial benefit of the goods would be calculated equal to the commercial benefit of raw materials and spare parts of the country.
1. Kish Free Zone ([www.kish.ir](http://www.kish.ir))
2. Qeshm Free Zone ([www.qeshm.ir](http://www.qeshm.ir))
3. Chabahar Free Zone ([www.cfz.ir](http://www.cfz.ir))
4. Anzali Free Zone ([www.anzalifz.ir](http://www.anzalifz.ir))
5. Aras Free Zone ([www.arasfz.ir](http://www.arasfz.ir))

6. Arvand Free Zone ([www.arvandfreezone.com](http://www.arvandfreezone.com))

8. Importers of goods are permitted to hand over, to others, part or all of their products against warehouse receipt, which will be issued by the district administration. In this case the breakdown

warehouse receipt holder would be the owner of the goods.

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Before establishing your business in a FTZ or SEZ, you should know that most of advantages mentioned for these Zones are for manufacturing and exporting; therefore, it is not recommended

for service companies to use these zones. 10. All the goods imported to the region required Moreover, to benefit from advantages of FTZ and for production or services are exempted from the SEZ such as tax exemption, a company has to focus its operation inside the zones. Therefore, it is other parts of the country will be subject to export not possible to register a company in a FTZ and do and import regulations.

business in the mainland and expect to benefit from advantages of the zone.

11. Based on paragraph (d) of clause (25) of the

Law of the Second Economic, Social and Cultural



## Websites of Free Trade Zones

which are imported into the country, are not subject to price regulation due to unutilized resources and/or allocated currency.

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