



ELITE PARS  
Law Firm

# COMPANY REGISTRATION IN IRAN BY FOREIGNERS

*At a Glance Series*

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- ***Relevant Laws***

Under Iranian law, the companies' activities and structures are governed by the provisions of the "Iranian Commercial Code" (the "Commercial Code") and the "Decree amending certain parts of Iranian Commercial Code" (the "Decree"). Moreover, the provisions of "Law on the Registration of Companies" (the "Registration Law"), "Law on Authorizing Registration of Branches and Representative Offices of Foreign Companies" (the "Foreign Companies Registration Law") and its "Executive by-law" (the "Bylaw") are applicable to matters regarding registration of companies, branches and representative offices in Iran by foreigners. These laws together form the legal framework of mandatory requirements with which entities must comply in Iran.

- ***Ownership***

According to Article 1 of the Registration Law, any company that is established in Iran and its main headquarters is located in Iran, is considered an Iranian company. According to Article 4 of the Executive Regulations on Foreign Investment Promotion and Protection Act ("FIPPA"), there is no restriction on foreign ownership in Iranian companies i.e. foreigners can in general hold up to 100 per cent of company shares in Iran. Such companies will have Iranian nationality and legal personality regardless of their ownership. However, there is no requirement as to having local people as shareholders or even in the board of directors in incorporated entities.

- ***Registration***

Non-Iranian investors who are willing to establish their businesses in Iran enjoy four options, namely Private Joint Stock Company hereinafter referred to as "PJSC", Limited Liability Company hereinafter referred to as "LLC", Branch or Representative Office.

1- A PJSC is a legal entity capital of which is divided into shares 35% of which shall be provided by shareholders at the time of incorporating the company. The minimum capital required is IRR 1,000,000, approximately USD 3.3. PJSC may be established by at least three shareholders which may be legal entities or natural persons. The minimum number of managers is three, with a term of office which cannot exceed two years. The members of the board of directors shall be appointed from among the shareholders. In PJSC, there is also a requirement to appoint one inspector and one alternate inspector.

2- LLC is a business legal entity, the capital of which is not divided into shares and it may be established by two or more shareholders that can be legal entities or natural persons. Each shareholder is held responsible merely in proportion to and no more than their share in the

company's capital. The minimum capital required is IRR 1,000,000, approximately USD 3.3. LLCs are managed by one or more directors that can be appointed from among or outside of shareholders. Contrary to PJSCs, there is no obligation to determine the exact time of the management period of directors.

3- Branch of a foreign company is an entity that does not have an independent legal personality and its operation would be in the name of and with the responsibility of the principal company. Branch is a suitable option for companies that do not intend to engage directly with the Iranian market and who are only looking for a limited presence in Iran doing marketing and/or aftersales services. The branch manager should be residing in Iran. This means that Iranian residency and work permit must be obtained for the manager of a branch office if he/she is not an Iranian national.

4- Representative offices of foreign companies can be established on the basis of an agency/representation contract. The representative of a foreign company is a natural or legal person who, based on the agency/representation contract, has undertaken to perform duties of a foreign company in Iran to the extent provided in its representative contract. The representative offices have independent personalities.

There are certain activities that branches and representative offices are authorized to do, such as aftersales services for goods and services of a foreign company, conducting operational activities pertinent to agreements which are concluded between Iranian nationals and foreigners, appraisal and preparation for investment of foreign companies in Iran, cooperation with Iranian technical and engineering companies for doing business in a third country, increasing non-petroleum exports, providing technical and engineering services and transfer of know-how and technology and conducting business, which requires license such as transportation, insurance, banking, marketing and etc.

According to the Foreign Companies Registration Law, only companies can register branches and agencies in Iran where Iranian companies are allowed to do the same in the respective country. That is to say, if Iranian companies have a license to register in a foreign country, the companies of that country can also register their branch or representative office in Iran.

- ***Requirements and Relevant Licenses***

All non-Iranian persons (natural or legal) need to have a code named “FIDA Code” to be involved in any kind of business operation in Iran. This code identifies legal entities and natural persons. The first step to set up a company in Iran by foreigners is obtaining the FIDA code. Therefore, for all non-Iranian shareholders (both legal entities and natural persons), legal entities’ representatives, members of the board of directors and managing director, obtaining FIDA code is obligatory.

For an incorporated entity to operate in Iran, there exist a variety of licenses that should be obtained either prior to the registration or after it. Moreover, the required licenses are determined based on the scope of the respective entities’ activity.

In addition, in order to engage in foreign trade of goods in Iran, all persons whether natural or legal shall have the import license of Iran which is called Commercial Card. Import licenses are issued by Iran's Chamber of Commerce upon approval of the Ministry of Industries, Mine and Trade. The license will be issued for the general manager, is valid for one year and might be renewed continuously.

While there are no restrictions in the establishment stage regarding foreign participation, in some areas, there may exist statutory limits at the stage of granting necessary licenses. Some licenses are granted only to companies with Iranian shareholders or companies in which an Iranian shareholder has control. Examples include transportation and offering certain types of telecommunications services.

**AFTERWORD**

*Elite Pars closely tracks legal developments in order to advise and support clients in the best possible way. Our experts are available to update you on all related questions in this regard to assist you in registering your companies in Iran.*

**DISCLAIMER**

*It is to be kindly noted: the current publication does not necessarily deal with every aspect of the topic nor is it legal advice in any manner or tantamount thereto. For exhaustive and fully reliable consultation regarding your questions, please do feel free to contact us at (+9821) 22 016 586 or [info@elitepars.com](mailto:info@elitepars.com)*

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**Contact Your Dedicated Team!**