

# ELITE PARS

Law Firm

Legal Update Prepared for  
Elite Pars Clients



## Introduction

Established in 2019, Elite Pars is a boutique law firm with professional lawyers and legal minds as its core team. Lawyers at Elite Pars render legal advice on a wide range of matters in parallel to dealing with various local, regional and international arbitration and litigation cases.

Elite Pars draws strength from its diversity. We recruit from a wide variety of backgrounds, seeking out the best and those with the highest potential and we invest in their development. Our profound knowledge of assorted legal areas, enables us to efficiently guide our clients through the most complex matters they are facing. Furthermore, our practical experience provides us with insights that help us assist our clients in achieving their legal goals.

In case you have any queries regarding this document or would like to inquire as to how we could serve you best, please feel free to contact our partners Dr. Navid Sato and/or Dr. Nima Nasrollahi via [n.sato@elitepars.com](mailto:n.sato@elitepars.com) and/or [n.nasrollahi@elitepars.com](mailto:n.nasrollahi@elitepars.com).



## LEGAL UPDATE: AUGUST 2021

### LATEST POLITICAL DEVELOPMENTS IN IRAN

Mr. Raisi has sworn in as the new president of Iran after winning the elections of June 2021. Business people are looking forward to finding out what this change of guard means for business. Perhaps the most crucial aspect to look at would be his stance towards the Comprehensive Plan of Action (JCPOA). Major foreign policy stances of Iran are not exclusively decided by the sitting presidents; however, election of a particular president could play the role of a weather vane and might indicate the direction Iran is going towards.

Contrary to what his political background might suggest, Mr. Raisi has not taken an anti-JCPOA stance and most political commentators believe that he and his camp are more eager than they appear to have a deal in bag as they understand that there is simply no other option. Mr. Abdollah Ganji, the editor-in-chief of the conservative Javan Newspaper, which belongs to Mr. Raisi's political camp, has gone as far as to suggest that removal of international sanctions should be a top priority for Raisi's government. However, some might suggest that we might not see the same level of prowess and eagerness in striking a deal as we could expect from Rouhani's foreign policy team. Additionally, Biden's administration has also taken a wait and see his stance as they purport that it will be Raisi's decision to take. As such, we are still not too close to restoring the JCPOA, and we should monitor the developments in the coming months.

Regarding, Mr. Raisi's domestic economic policy, some businesses might worry about his spending promises; however, he has also promised to cut the corporate tax significantly

and has taken some other pro-business stances as well. His economic team appears to be an amalgam of different economic camps.

### REVOCATION OF THE REQUIREMENT TO PLACE ORDER AND NON-EXEMPTION OF VAT IN SPECIAL ECONOMIC ZONES

Free trade zones and Special Economic Zones in Iran were established with a view to facilitating business for Iranian and foreign nationals and obviating many bureaucratic barriers.

However, in recent years, as a result of budget deficiencies, the government has made certain changes to the regulatory framework governing such zones in Iran. For example, while according to Article 13 of the Law on the Administration of Free Trade – Industrial Zones of Islamic Republic of Iran, the payment of value added tax is not obligatory for the first 20 years of activity in these zones, the Budget Bill of 1400 has revoked this exemption and thus all activities in these areas will be subject to VAT taxation.

Additionally, special economic and free trade zones have been exempted from certain importation regulations. However, on 11 April 2018, the official government of Iran required that the import and export of goods to / from these areas is possible only through placing orders. This decision was allegedly against the nature and philosophy of special economic zones and was thus confronted with objections from traders. As a result of such objections, the Court of Administrative Justice on June 2021 revoked the requirement of placing order for import and export of goods. This should be good news for businesses looking to invest in FTZs.



## **ESTABLISHING A BUSINESS IN IRAN AT TIMES OF SANCTIONS**

Many foreign investors adopt a conservative approach when intending to deal with Iran even if their activities are not subject to US secondary sanctions. In particular, many foreign companies avoid registering corporate entities in Iran fearing that their information will be placed in publicly available databases. However, there are options that can offer foreign nationals a safety margin to act in Iran without exposing themselves to sanctions compliance risks.

Generally, the investors have four options to establish their business in Iran:

To incorporate a Limited Liability Company (“**LLC**”); or

To incorporate a Private Joint Stock Company (“**PJSC**”); or

To appoint a contractual representative; or

To establish a branch office in Iran.

Under Iranian Commercial Code, PJSCs may be established by at least three shareholders and LLC may be established by two or more shareholders, which may be legal entities or natural persons. Non-Iranian natural persons and legal entities can also be shareholders in both PJSC and LLC and can hold even up to 100 per cent of its capital. Such companies will have Iranian nationality and legal personality regardless of their ownership.

While the information regarding LLCs including shareholders’ name will be available at Iranian database such as the Official Gazette, the name of PJSC shareholders will not be published in any databases and remain confidential as long as shareholders are not also acting as directors.

In light of this, foreign companies and individuals are advised to engage in Iran under the present circumstances either contractually, through assigning a representative and subject to confidentiality, or by establishing a PJSC in which directorship is managed by Iranian trustees.



## **Dr. Navid Rahbar Sato** **Managing Partner**

Dr. Navid Rahbar Sato is a founding partner and the managing director of Elite Pars Law Firm. He is a qualified international and domestic lawyer in the Iranian market with a primary focus on cross border transactions and oil and gas law. With several years of experience, he has extensive comprehension of the national, regional and international commercial legal systems. He also handles litigation and arbitration cases where he sets out the legal strategies and heads the team in the process. He particularly advises clients on energy law, foreign direct investment, incorporation, mergers and acquisitions as well as import and export regulations in the region including sanctions' compliance matters.

Navid holds an SJD from Washington College of Law and is a Vanderbilt LL. M. graduate of NYU School of Law and an International Trade Law LLM graduate of the American University of Washington D.C. He is an assistant professor at Shahid Beheshti University of Tehran.

Navid speaks fluent Farsi and English, as well as basic French and Japanese.

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## **Dr. Nima Nasrollahi Shahri** **Partner**

Dr. Nima Nasrollahi Shahri is a founding partner at Elite Pars Law Firm and heads the energy, investment law and arbitration practices of the firm. He is a seasoned lawyer in the field of oil and gas and renewable energies and has advised major international oil companies with respect to their participation in Iranian oil and gas projects. He holds a PhD in International Investment Law and has completed the LL. M. program of University of Dundee in Petroleum Law and Policy. He has a long list of Persian and English publications and is currently the director of oil and gas law LL. M. program at the University of Science and Culture in Tehran where he is now supervising several dissertation theses, mostly related to the same field as well as commercial arbitration. Nima regularly does pro bono educational activities. He speaks Farsi, fluent English and intermediate French and Arabic.

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