



# EMENAI NEWSLETTER

The Corporate Newsletter of Shanda Consult



Dear Clients, Associates and Friends,

A tough year is coming to an end, although it may have brought success and prosperity and new outlooks for some of us.

The Middle East is going through delicate times, the two large rivals Saudi Arabia and the Islamic Republic Iran are trying to enlarge their influence in the region, with results that do not support peace and prosperity. The involvement of the large powers does not make it easier.

The good thing though seems to be the begin of slight normalisation in Syria. Currently, the Syrian Government is in talks with the World Bank and the IMF, negotiating counter-guarantees of the two institutions for the rebuilding of the country. Estimated 255 billion USD are needed for the basics, mainly infrastructural and utility projects. Optimists expect rebuilding activities to pick up in Autumn 2018.

Another tough issue, which influences countless businesses globally, is the new approach of OECD, the US and the EU to tackle tax evasion and money laundering. Nobody wants to support tax evasion and money laundering, and we won't either. It is not the intention of OECD etc. that is wrong, but the ways they try to achieve their mission. In some countries, banking services became so complicated that businesses are sometimes definitely badly effected and hindered.

But the worst is the new approach that does not question the legality of a business structure anymore, but the morality. And here we are stepping into a dilemma.

If it comes to morality, we will have to define what is moral. And if the lawmakers judge by morality, are they prepared to be judged by morality themselves as well? Are they ready to be held accountable for wasted taxpayers' money, wasted by wrong planning, unviable projects, ever increasing construction costs, and so on?

Well, this remains to be seen. With the current silent obedience of citizens and business owners, there seem to be little chance that moral will not remain as a one-way value.

**We received a lot of positive feedback on our Special Feature Lebanon in our previous Newsletter. This Newsletter's Special Feature is Iran.**

**What ever will happen or not happen, the team of Shanda Consult wishes all its Clients, Associates and Friends a very fresh start into 2018! May the entire new year be a year of healthy living, peace in the house and peace in the world, love, success and prosperity!**

Your Shanda Consult Team

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## Cyprus Startup Visa for third country nationals

The Cyprus Startup Visa scheme aims to attract foreign investments from non-EU countries (third countries) to Cyprus in the fields of innovation and research and development (R&D).

Applicants for Cyprus Startup Visa must be Non-EU nationals.

The investors, be it individuals or group of investors must have a start-up capital of at least EUR 50.000.

An innovative business or business plan, and the effective management must take place in Cyprus.

### Some of the advantages:

Residence and work permit in Cyprus for one year, with renewal rights for at least another year.

Right to be employed by their own company in Cyprus.

Possibility to receive permanent residence permit in Cyprus in case the business succeeds.

Ability to hire a specific number of staff from non-EU countries without prior approval of the Department of Labor, in case of success of the business.

Family reunification, if the business succeeds.

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## Cypriot Start-ups at Web Summit 2017

Web Summit is the largest technology event in the world. This year the organizers welcomed nearly 60,000 attendees, over 1200 speakers and 2600 journalist from more than 170 countries. Web Summit started in 2010 and it is organized annually since then. No other conference or summit has ever grown so fast. They had on stage speakers like, Elon Musk, founder of Tesla and

SpaceX; Jack Dorsey, Co-founder of Twitter; Travis Kalanick, Co-Founder of Uber; Mike Krieger, Co-Founder of Instagram; Prof. Stephen Hawking Theoretical Physicist; Ed Catmull President of Pixar and Disney Animations; Brad Smith President of Microsoft; Drew Houston, Founder of Dropbox; Francois Hollande Former President of France and many more world-class speakers from

### *This year three Cypriot start-ups have represented Cyprus at Web Summit in Lisbon, Portugal.*

the world's most influential companies.

The founders and CEOs of the start-ups presented their products/services across Alpha, Beta and Start tracks where they had the opportunity for networking and to meet with potential investors. Web Summit represents the largest accumulation of VC funding in one place at the same time with 1400 tech investors.

The participation of the three Cypriot start-ups, Bandster, Video Brewer, Politica.io was funded by CIPA, the Cyprus Investment Promotion Agency and by the Cyprus Research Promotion Foundation.

The representatives of the three start-ups presented their products and services during the Web Summit in separate booths. They had also the opportunity to attend the presentations by the above mentioned top executives of the world's most successful businesses and to meet important international individuals.

Politica.io was selected as one of the 200 most promising start-ups among the 2000 businesses.

CIPA and CPRF representatives had a stand

at the conference venue as well, where they were promoting the competitive advantages of Cyprus in the fields of research, innovation and entrepreneurship.

Natasa Pilides, Director of CIPA said the following about the conference: "As part of our efforts to promote innovation, research and entrepreneurship, we have the honor to support the participation of leading Cypriot start-ups in Web Summit, the largest global forum of its kind. We hope that their participation will be catalytic in attracting investment in our country and we are confident that Cyprus will soon become an attractive center for the realization of ideas that have the capacity to create added value and to contribute to the acceleration of economic growth."

Dr. Vassilis Tsakalos, Director of the CRPF said, that "The CRPF supports the start-ups because this enriches the Cypriot business ecosystem with dynamism and innovation. In this way, the shift to an economy based on high added value products and services is fostered and fosters research, application of new technology, innovation, extroversion and internationalization."



## Gravity - New startup incubator in Nicosia

Gravity Ventures, a new venture building incubator has entered the Cypriot market with the aim to support local and international business founders and start-ups for their development and their entrance into international markets. Gravity is located in Nicosia, in the capital of Cyprus. It is comprised of a specialized team with extensive experience and expertise in the field of Research, Technology, Innovation and Entrepreneurial issues.

Their approach is different from the usual incubators and goes beyond the basic incubation services and period. At Gravity they guide business and startup founders from the very early stages (original idea) and assist them in all the necessary steps throughout their journey until they become mature ventures. They foster innovation through constant interaction and by empowering the founders to achieve real impacts.

The Gravity team works closely with the founders, providing them hands-on support, mentoring and a state-of-the-art working space, which provides IT, electronics and prototyping infrastructure.

Gravity' founder is CyRIC (Cyprus Research and Innovation Center), the only certified Business Innovation Center (BIC) in Cyprus certified by the European Business Network, which provides research and innovation services, developing and prototyping of innovative products for the international market.

[Click here for more information...](#)

## Cyprus' economy continues booming in 2017: +3,8%

After an economic boom in 2016, hitting 2,9%, the economy of Cyprus continues its upwards trend, expanding by 3,8% in 2017.

The highest growth was seen during the Q2 2017, where the annual growth hit 4%. While Q1 2017 showed a growth of 3,8%, expansion of Cyprus' economy reached Q3 2017 was 3,9%. The figures given are seasonally adjusted figures as per the Statistical Department of Cyprus.

The main growth drivers are private consumption and strong investment, while public consumption contributed positively as well. The growth of private consumption is supported by steadily rising household disposable income, stemming from robust employment. The current consumer confidence is buoyant, even remarkably above the pre-crisis level (2012).

Main sources of the continuous growth are rising output in tourism, retail and wholesale, as well as construction and manufacturing. The growth rates were slightly offset by decreasing output of the financial sector and the insurance industry.

The unemployment rate in 2017 fell below 11%, from 13% in 2016, and from almost 18% in 2013. The unemployment rate is expected to fall to 9,3% in 2019.

Inflation showed a slight increase and reached an annual level of 1%.

The fiscal performance of Cyprus continues to be strong and has again outperformed the government's budgetary targets. In 2017, the general government balance is expected to improve further, reaching a surplus of 1.1% of GNP. The general government primary surplus is also forecast to increase to 3.5% of GDP, while remaining one of the highest in the euro area in 2017.

In 2018, the fiscal surplus is expected to increase to 1.4% of GDP, provided the fiscal policy will not change.

Gross public debt could be reduced to 103,0%, from 107,1% in 2016.

The European Commission, which worked out its own evaluations and forecast, confirms all above figures. The European Commission said that economic growth in Cyprus "has exceeded expectations in recent quarters."

The European Bank for Reconstruction and Development (EBRD) has upgraded its forecast of Cyprus' economic growth to 3.5 percent and 2.5 percent in 2017 and 2018: "Cypriot economic activity has sped up in 2017, building on the robust recovery of the past couple of years".



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## Cyprus Europe's new energy hub?

**The 5th Energy Symposium was organized jointly by the Institute of Energy for South-East Europe (IENE) and FMW Financial Media Way with a special theme 'Cyprus Europe's new energy gate' on the 1st of November in Nicosia.**

Cyprus was praised by Costis Stambolis, executive director of IENE on the achievements of its exploration programme, and he further added that Cyprus has the potential to play a key role in Europe's energy market.

The event was addressed by more than 25 speakers among them the President of the Republic of Cyprus, Nicos Anastasiades, Demetris Syllouris, Nicos Kouyalis, Giorgos Lakkotrypis, Fidas Pilides and the Greek Minister of Energy, Giorgos Stathakis, and attended by 130 delegates.

The Cypriot government is giving priority to the exploration and exploitation of hydrocarbons, energy development and for energy efficiency. It also supports the EuroAsia interconnector between Greece-Cyprus-Israel and the EuroAfrica interconnector between Egypt-Cyprus-Greece.

Greece, Cyprus and Israel will have a meeting in December to sign an agreement to take the EastMed gas pipeline further.

President of the Cyprus Energy Regulating Authority, Dr. Andreas Poullkas talked about

energy supply and prices. He said that a properly regulated internal energy market and transitions to renewable energy systems is crucial to EU. Europe's electricity market is transformed by this transition to RES, by the new technologies and interconnections. However, a lot more needs to be done in south-east Europe. Also, Cyprus needs to align its regulatory system to the EU system. RAEK has introduced a new regularity system and market model in order to be in line with the EU standards and is preparing a gas regulatory system for the natural gas market as well.

There are optimistic indications that Cyprus' block 10 may hold significant amounts of natural gas. However, there is still a long way between discoveries and successful exploitation and international gas sales due to the low global prices. Eventually the development costs shall be kept low as well, which can be achieved only through collaboration and integrated projects. This is the only way to become financially stable and a secure export market. This can be achieved only if all Cyprus gas discoveries are pooled together into a single-joint venture project by the end of 2018 and to be developed as a single integrated project, thus avoiding doubling interfaces and risks. The gas can be delivered to Egypt through the pipelines and to be liquified through new trains and to be exported. But even this way is still challenging.

Further issues discussed at the event:

### **Cyprus Natural Gas exploration**

Dimitris Fessas, CEO of CHC (Cyprus Hydrocarbons Company) the National Oil and Gas Company of Cyprus talked about the new round of exploration and drilling and said that the negotiations with Egypt on the sale of Aphrodite gas have deepened in the past weeks. They are investigating all possible gas export options.

### **The use of natural gas in Cyprus**

Dr. Solon Kassinis Director of the Ministry of Energy, Commerce, Industry and Tourism made a presentation on how natural gas can be used to develop a petrochemical industry in Cyprus. He suggested to set up a methanol production plant which feasibility was proved.

### **Energy and gas storage in Cyprus**

George Papanastasiou, CEO of VVTI energy storage provider talked about the geopolitics and risks involved in the development of trading of natural gas. He highlighted the importance of cooperation of Cyprus and all neighbouring countries in the region to avoid such problems and to ensure security. He mentioned that Cyprus was chosen by Vitol (global energy and commodity trading company) as the best location to base oil-product storage and trading facilities.

## Cyprus as an LNG hub

Managing Director of MEDGAS, Spyros Paleogiannis spoke about the natural gas markets and the increasing penetration of the renewable energy systems, which is changing the energy environment of the EU.

Currently the biggest challenge of gas is the low RES prices, but this will change in the following years due to the increasing use of liquefied natural gas (LNG) and the increasing trading through gas hubs.

Cyprus and Greece have a great potential to become the new route for East Med gas entering to Europe. But there are many other countries in the region wanting to become a gas hub and the EU is supportive with all of them. Cyprus needs a grand plan (which present is lacking). Dr Constantinos Papalucas from the University of Cyprus suggested that Cyprus should learn from and follow the Singapore example in order to become a gas hub.

## LNG import

Dr Michalis Andreou member of the board of DEFA, The Natural Gas Public Company presented a new LNG import project which is based on two separate parts:

- Infrastructure, including a jetty, port facilities and FSRU
- LNG imports

An additional domestic gas pipeline network

will be needed between Vasilikos and Dhekelia. Proposals are being submitted to the EU for financial support. Public tenders will be announced during the first half of 2018.

## Renewable energy market in Cyprus

The use of renewable energy systems is spreading rapidly all around the world, not only because of environmental reasons but also due to its low cost. RES is cheaper than gas-fired power generation. Many countries are implementing energy road-maps with targets for 2050.

Andreas Marangos, Chairman of the Electricity Authority of Cyprus spoke about the need to implement RES and energy efficiency to cut emissions in line with the EU targets. 91% of electricity generation is still oil based in Cyprus. EAC has a new energy strategy in place, including RES in its power generation mix to adapt to the clean energy era.

Opening of the RES market can help Cyprus become an energy gate to Europe not only for natural gas but also for renewable electricity.

**Shanda Consult is specialised in consultancy regarding project-based investments and as a partner in bringing together investors and investment projects. For any consultation regarding your business needs, please contact us.**

## Interpretative Circular 14 Cyprus Tax Department

**An important clarification regarding the taxability of benefits of physical persons through loans received from a related company has recently been issued by the Cyprus Tax Department-**

In accordance to the Interpretative Circular 14, the Cyprus Tax Department clarifies that as per Article 5(2)(f) when a company grants a loan or financial facility to:

- its shareholder physical person
- its director physical person
- the spouse or relative of up to second degree of its director or

shareholder is deemed as obtaining a benefit equal to 9% on the average balance of the loan or financial facility at the end of each month.

This monthly benefit is also deemed to arise for non-Cyprus tax resident shareholders or directors and as from 1/1/2018 is calculated for the whole year irrespective of the actual days exercising physical duties in Cyprus.

The benefit is considered as income arising in Cyprus and increases a person's taxable income.

If the benefit is more than the tax free amount of €19,500, then the company must calculate the income tax payable by this person and pay it through the Pay-As-You-Earn (PAYE) system.



## Hellenic Bank appoints new chairman

Hellenic Bank has appointed Youssef A. Nasr, a Lebanese-born US citizen and former HSBC banker as chairman of its board of directors.

The 63-year old Nasr was working at HSBC for 34 years, from 1976 and retired in 2010. He served both as a Chairman and in other senior management positions in several locations including New York, Paris, London, Toronto, Vancouver, Sao Paulo and Dubai. He also served as HSBC's President and CEO at HSBC Canada (1997-99), HSBC USA, HSBC North America (1999-2003). From 2003 to 2006 he was the Chairman at HSBC Brazil and Group General Manager of HSBC South America. Between 2007-2010 he was the Chairman and CEO of HSBC Middle East and North Africa.

Mr Nasr obtained his degree in Mathematics from Cambridge University (UK) and his MBA from Harvard University (USA).

He currently serves as a chairman of the board of directors at Metin Mitchell & Company, a Dubai-based executive search and management advisory company.

## Iran - the Land of Opportunities and - Obstacles



Benefitting from a power vacuum during at the end of the Shah era, Ayatollah Khomeini returned from his French exile and formed the Islamic Republic of Iran. The first years were dedicated to the establishment of a society living strictly as per the rules of Shi'i Islam. The country was more or less closed to the world beyond its borders, to avoid influence from abroad. One of the results was that Iran was forced to develop its independency from other countries. This has been achieved by further developing the industry and by well improving education at domestic universities.

With the global sanctions against Iran until

beginning of 2016, the country was even more isolated from the world. This isolation did lead to economic problems, shortage of desperately needed parts and materials for repair and maintenance, and it raised a general grievance against Western countries, mainly but not only the United States.

As one of the large countries in the Middle East, the Islamic Republic of Iran has always been keen to gain proportional influence in the region, which does of course not happen without new conflicts.

Since the de facto termination of the sanctions against Iran in January 2016, ten thousands of company owners or

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*Iran has a huge potential, but has its obstacles as well; it remains a market to be watched closely.*

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### Iran: European banks signed credit facilities

On Thursday 21 September, after about one and a half years negotiation, Austria's Oesterreichische Kontrollbank (OeKB) re-established a credit line to Iran by signing € 1 billion deal with 14 Iranian banks to provide export loans for Iranian production and development projects.

The Austrian export credit agency Oesterreichische Kontrollbank (OeKB) is providing export credit guarantees under the agreement which was signed with: Parsian Bank, Saman Bank, Eqtesad Novin Bank, Bank Parargad, Karafarin Bank, Middle East Bank, Bank Melli Iran, Bank Mellat, Bank Sepah, Tejarat Bank, Bank of Industry and Mine, Export Development Bank of Iran, Refah Bank and Keshavarzi Bank.

On the same day, Denmark's Danske Bank also has inked a € 500m credit line deal with 10 Iranian banks to finance construction and production projects of the private and public sectors in Iran.

**For more information...**

representatives from all over the world travelled to Iran, trying to establish business with Iranian counterparts, and to find opportunities for investments in Iran.

Iran did indeed focus on attracting foreign investors. The "Foreign Investment Promotion and Protection Act" protects foreign investments and guarantees the repatriation of profits, under the condition that a foreign investment in Iran is registered with the Organisation for Investment, Economic and Technical Assistance of Iran (OIETAI). OIETAI, organised under the umbrella of the Ministry for Economy, also offers services as a one-stop service place for communication and licencing procedures with other governmental authorities.

The management and the staff of OIETAI are very committed and really focused to assist, as we could see during our many meetings. EUMECON EEIG, a partnership of Dr. Jan Engelke and Shanda Consult, organised and delivered two workshops at the premises of OIETAI in Tehran earlier this year. The workshops were about Intercultural Communication, focusing on possible German investors, lecturers were Dr. Jan Engelke and Stefan Nolte, both directors of EUMECON EEIG, the latter as well managing director of Shanda Consult.

Iran signed the Kyoto Protocol, committing to a substantial reduction of CO2 output, and to produce a total of 5 GW renewable energy until 2030.

However, Iran is also struggling with a lot of problems. International banking is still very limited. As a directive of the Central Bank of Iran, Iranian banks had to switch to IFRS accounting standards from October 2017. IFRS accounting standards, however, made obvious how many banks are in financially weak positions, which led to anticipations of some turbulences on the market, which might be settled with a consolidation of the banking industry, or not.

Bureaucracy remains very tricky in Iran. Due to the legal structure of the administration, there are often more than one responsible authority or public administration, even competing.

The strong influence of the public sector is often not really supporting investments in the public sector. The bonyads alone, religious foundations that are tightly interconnected with the government, certain ministries or other "high-level tiers", own about 35% of all companies in Iran. The State sector itself was planned to be widely privatised, but the ambitious privatisation campaign, planned to be finalised in 2015, did not reach even half of its targets until now. Furthermore, the State preferred to give shares of State companies to private companies in order to settle its debts. Those shares were very often given to private companies from other industries. Naturally, the new shareholders of former State companies often lack the skills and experiences to manage their new companies efficiently. As a



Workshop at OIETAI in Tehran, conducted by EUMECON EEIG, a partnership of Dr. Jan Philip Engelke Consulting and Shanda Consult, January 2017

result, Iran is largely left with MoUs, which are good to indicate intention, but which are not investments. Sometimes, foreign investors withdraw from MoUs, or even from contracts, because they are unable to solve the banking question, how to transfer money to or from Iran. Recently, a French company stepped back from its contract to modernise the international airport in Tehran for this particular reason.

However, Iran still remains a country with huge opportunities, and the Government is trying hard to pave the ways for foreign and local investors alike. New investments in almost any industry are enjoying tax holidays for several years, based on the particular industry of the investment.

Iran is the last relatively virgin market for substantial investments in almost any industry. Iran has a huge potential, but has its obstacles as well; it remains a market to be

watched closely.

**Shanda Consult assists and consults prospective investors from Germany and other countries regarding their investment intentions, plans or projects in Iran. With our excellent local knowledge and experience as well as our proven associates in Iran, we are providing a range of services in or related to Iran, such as intercultural communication coaching, introduction to banks, ministries and larger companies in the private sector, market surveys and feasibility studies, pre-selection of suitable possible Iranian Joint-Venture partners, Joint-Venture facilitation and accompanying the process of JV establishment, stakeholder mapping and communication, legitimate political communication. We will be happy to assist you as well.**

## Tehran: Cryptocurrency Policy Soon



The Central Bank of Iran will announce its official policy on cryptocurrencies within the next few months, the monetary regulator's deputy for international affairs said. "CBI is tracking

cryptocurrencies, but if we invest in Bitcoin, we must also accept its risk as no one will be accountable if someone's capital is lost," Gholamali Kamyab also told IRNA. The official said various dimensions of virtual currencies remain "unknown", as no one clearly knows which people or entities are behind them. "The other problem is that with virtual currencies, money does not exit the banking system and therefore cannot be controlled. Transactions are made through illegal moneychangers and therefore it also hurts the national interest, as foreign exchange flows out of the country," he concluded.



## Still high demand for foreign insurance companies in Iran

Following Iran's nuclear deal, many foreign insurance companies specially from Italy, Germany and from the UK announced their willingness to invest in Iran's insurance industry. For instance, Munich Reinsurance Company officials, one of the world's leading reinsurers, signed a contract with Saman Insurance Company in July 2017 to provide reinsurance coverage in life and capital formation categories, investing in the insurance industry and providing training to managers and experts in insurance sector.

Another insurance company which expressed readiness to invest in Iran's insurance sector, is London's Lloyd which plans to establish offices in Iran.

Abdolnasser Hemmati, President of Central Insurance of Iran (Bimeh Markazi Iran) said during the opening ceremony of Kish Invex 2017, "Iran's insurance industry has a great potential for attracting foreign investment". He noted that some of international insurance companies are ready to invest in Iran's insurance sector.

The Central Insurance of Iran (CII) reported in 2016 total of 58.6 million insurance policies were issued in Iran and 32.5 million claims were compensated. The share of the private sector from the premium made and the claims paid were 62.6% and 57.3%, respectively.

**For more information...**



## Branch Office in Iran

Foreign Companies can establish a branch of their company in order to conduct their business in Iran. The Branch will be a foreign company and act as a branch under mother company and may operate in the following areas of activities:

- 1) Offering after-sale services for the goods or services of the foreign company.
- 2) Carrying out the executive operations of the contracts concluded between Iranian persons and foreign companies.
- 3) Studying and preparing the necessary conditions for the foreign company's investment in Iran.
- 4) Cooperation with Iranian technical and engineering companies for undertaking activities in third countries.
- 5) Participating the non-oil exports of the Islamic Republic of Iran.
- 6) Offering technical and engineering services and transfer of know-how and technology.
- 7) Engaging in activities permitted by government agencies legally authorized to issue permits, in areas such as offering services in the fields of transportation, insurance, inspection of goods, banking, etc.

A local branch office of a foreign company is the subordinate of the mother company which carries out the objectives and business transaction for the mother company. The operation of the branch office will be conducted under the name and responsibility of the mother company. The branch office is subject to Iranian laws in areas such as labor, social security, taxation, etc. The government protects the legal rights of a registered branch office as of the mother and domestic companies.

## Company Formation in Iran

All foreign (non-Iranian) natural and legal persons may register company in Iran and own 100% of such company shares and may also establish partnership with Iranian nationals with any ratio and register their company. There are two types of companies which usually are registered by foreign investors:

### Joint Stock Company

The Joint Stock Company is defined by the law as a company whose capital is divided into shares and the liability of whose shareholders is limited to the par value of their shares. The Joint Stock Company may be ei-

ther a public company (Sherkat Sahami Am) or a private company (Sherkat Sahami Khass). The main difference between the two is that the public company may offer its shares and debt securities to the public while the private company may not. The shareholders of a joint stock company participate in the ownership, profit and losses, and distribution of assets in liquidation, in proportion to the shares held. As indicated above, the liability of each shareholder is limited to the par value of his shares and in the absence of fraud or other deceptive practices; there should be no recourse to shareholders for the liabilities of the company.

### *Foreign companies carrying out operations in Iran are required to establish a local presence under local laws/regulations*

### Limited Liability Company

A Limited Liability Company (Sherkat ba Massouliat Mahdoud) is defined as a company formed by two or more persons for the purpose of trading. Liability is based upon the direct contributions of the partners to the partnership and not by share subscription. The formation of a limited liability partnership is deemed to have taken place when the capital in cash has been fully contributed and when non-cash contributions have been assessed and delivered. The name of the company must always include the phrase "Limited Liability" otherwise under the law the company will be considered as a general partnership.

#### Conditions:

#### Joint Stock Company

*Min. Shareholder:* 3

*Min. Director:* 3 (Every director must have a share)

*Directors' nationality:* Free

*Min. Capital:* 1 million Rials = around 30 Euros (35% of the capital should be deposited in a bank)

#### Limited Liability Company

*Min. Shareholder:* 2

*Min. Director:* 1

*Directors' nationality:* Free

*Min. Capital:* 1 million Rials = around 30 Euro

#### Time frame

3 - 4 working days for registration if all docu-

ments are correct and accepted by registrar of companies. It takes about 15 – 30 days for law offices (depends on required documents), to prepare all requirements and register a company.

#### Costs

Registration fee: 525.000 Rials = around 20 Euros + fee for publication of the company in a local paper an official gazette (around 20 Euros depends on the newspaper). If proceed with a law firm, the estimated cost of preparing all documents, is about 200 Euros, considering that lawyers have different pricing.

#### Company Incorporation Procedure Step 1:

First step of setting up a business in Iran is to reserve the Trade Name and register on website of the Registrar of companies.

Registration at the Registrar of companies requires the following documents in Farsi:

1. The request letter, 2 original documents, signed by all shareholders.
2. The Memorandum, 2 original sets, signed by all shareholders.
3. The Article of Association, 2 original sets, signed by all shareholders.
4. The Minute of Founders and Director Board meeting, 2 original documents, signed by all shareholders.
5. The Minute of Director Board meeting, 2 original documents, signed by selected man-

agers.

6. Declaration affirming that all shares have been subscribed.

7. Identity of shareholders (Passport copy with translation). In case of a legal entity: Foreign company registration certificate, authenticate by Iranian embassy in the relevant country.

8. Non-criminal Record certification for Iranian citizens. Foreigners need to get a Fida Code, a number assigned to a foreigner, requesting in <http://irsherkat.ssaa.ir> (in Farsi only).

9. Permission Letter, authorizes the representatives and Director Board members of legal entity as a shareholder, and incorporation notice or last changes of legal entity, published in Gazette.

10. The Certification letter shows the legal entity as a shareholder isn't affiliated to Government.

11. Permission letter for some specific activities from affiliated organization. (Enlisted activities at <http://sherkat.ssaa.ir>)

12. Filling the blank fields of electronic forms in <http://irsherkat.ssaa.ir> and submit the request by clicking on " final submission " button in final form and tracking the request by the trace number received from this website.

- System will give you a recognition code for follow up and tracking.
- After confirmation of name of the company, all above documents should be printed from the website of the registrar and signed. Then with the recognition code should be submitted to the registrar of companies.
- Postal tracking number should be saved on your record on the website of the

registrar.

#### **Company Incorporation Procedure Step 2:**

With the initial confirmation of the company's name, a bank account can be opened in order to make necessary payments.

#### **Company Incorporation Procedure Step 3:**

After submission of documents to the registrar of companies a receipt will be provided to the company's agent stating the date of company's final registration date.

#### **Company Incorporation Procedure Step 4:**

After receiving all registration certificates from the registrar of companies, company's business activity must be published in a local paper as well as an official gazette.

#### **Company Incorporation Procedure Step 5:**

Notify the state tax affairs organization about the commencement of business activities.

#### **Company Incorporation Procedure Step 6:**

Register for VAT

Once the Company is formed, a Tax expert will need to be appointed for audit purposes (If needed). Accountancy books of a Limited Liability Company doesn't need to be testified by an auditor.

#### **Company Incorporation Procedure Step 7:**

The final step to start a business in Iran is to enroll personnels in the Social Security system at the Iranian Labor Department and to obtain an employer number.

**Important: In principle no foreign ownership restrictions; investments into Iran to be supported by double taxation and bilateral investment treaties (e.g. access to non-Iranian arbitration).**

## **Corporate Taxation and Exemptions in Iran**

The general corporate flat tax rate is 25%. There is no withholding tax on Dividends in Iran.

Corporate Tax Exemptions for certain industries apply as following:

*Agriculture:* 100%; Perpetual  
*Industry and Mining:* 80%; for 4 Years  
*Industry and Mining in Less- Developed Areas:* 100%; for 20 Years

*Tourism:* 50%; Perpetual  
*Export of services & non-oil goods:* 100%; during 5th development Plan  
*Educational & sport services:* 100%; Perpetual  
*Cultural activities:* 100%; Perpetual  
*Handicraft:* 100%; Perpetual  
*Salary in Less-Developed Areas:* 50%; Perpetual  
*All Economic Activities in Free Zones:* 100%; for 20 Years



## **Achievements & Obstacles of Iran's Banking System in Developing Ties with International Banks**

The Central Bank of Iran published a "service report" which outlined measures undertaken by CBI during the first term of President Hassan Rouhani in office and also after implementation of the JCPOA. According to the report, Iranian banking system has involved in foreign exchange transactions worth over \$38 billion since January 2016 until March 2017. This amount includes of 17,900 letters of credit, 1,900 negotiable instruments and 80,200 payment orders which were issued by Iranian lenders.

Since banking sanctions had disrupted foreign trades due to fund transferring troubles, payment mechanism changed to Payment order, Letter of credit and Negotiable instruments.

During 2008-2010, the CBI had opened 281 foreign exchange accounts mostly in European countries in order to safeguard the foreign exchange income from sales of oil and gas. Since those revenues couldn't be transferred to Iran, were used to ease permitted trade between Iran and those countries, according to the CBI's report.

The report said that after the deal was implemented, \$12 billion of the CBI's blocked assets as well as around \$9.9 billion of the oil sales revenue were released.

**For more information...**

## AML Violations to Eliminate in Iran Banking Sector

The Central Bank of Iran, in tandem with the Economy Ministry, is actively pursuing anti-money laundering measures to bring down crimes and violations in the banking system to zero in the foreseeable future, CBI's director general for regulations, banking permits and anti-money laundering said.

Ahead of the major annual Electronic Banking Conference that is to be held in Tehran in a matter of weeks, Abdolmehdi Arjomandnejad outlined the focus of central regulator on AML efforts by employing electronic banking and technology.

"At the central bank, the Economy Ministry



and the High Council of AML [affiliated with the ministry], the infrastructure for fighting money laundering has been prepared so that using the information that is transacted, any violations and frauds will be identified and

dealt with by the police and the judiciary," he was quoted as saying by the Monetary and Banking Research Institute, the entity in charge of holding the annual event.

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### *Iranian officials and regulatory entities have intensified their AML/CFT efforts*

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## \$1.7b Chinese Loan for Rail Project

China has opened a \$1.7 billion line of credit for the electrification of the 926-km railroad from Tehran to the eastern city of Mashhad in Khorasan Razavi Province, five months after a contract was signed for the project in Tehran.

According to the Persian daily Donya-e-Eqtasad, this is the first and the largest LOC to have opened for Iran after international nuclear-related sanctions against the country were lifted in January 2016, following the signing of a landmark agreement between Tehran and world powers a year earlier.

The initial contract entails the allocation of \$1.5 billion in loan by Exim Bank of China to the project. The guarantee for the loan is to be provided by Iran's Bank of Industry and Mine.

The electrification project will be carried out by China National Machinery Import and Export Corporation, otherwise known as CMC. The project is expected to take up to 48 months and raise the speed of the line from the current 160 kph to 200 kph, cut down pollution and increase the railroad's transportation capacity. The route is already double-tracked and both tracks will be electrified.

"At the central bank, the Economy Ministry and the High Council of AML [affiliated with the ministry], the infrastructure for fighting money laundering has been prepared so that using the information that is transacted, any violations and frauds will be identified and dealt with by the police and the judiciary," he was quoted as saying by the Monetary and Banking Research Institute, the entity in charge of holding the annual event.

"These systems will be strengthened gradually so that in the near future and using these infrastructures, crimes and violations in the banking system would reach zero," he added.

According to the head of CBI's AML Department, all banks are obligated to send any and all information regarding monetary crimes and violations to the Financial Intelligence Unit with the Economy Ministry for follow-up measures.

Arjomandnejad said all those living or working in Iran, namely Iranian nationals or foreigners, and real or legal persons are under the purview of the Law of Anti-Money Laundering and the Law of Combating Financing of Terrorism, "but naturally, the bulk of the focus of the central bank will be directed toward monetary entities".

He also defined monetary entities as banks, credit institutions, interest-free funds, credit cooperatives, leasing companies and bureaux de changes.

"Adhering to these laws will be to their own benefit in the first place because if they do

not, be it unintentionally or otherwise, they will be guilty of committing crimes and must then answer to the judiciary," he said.

Iranian officials and regulatory entities have intensified their AML/CFT efforts in the past few months as the deadline set by the Financial Action Task Force on Jan. 31 for the country to implement its commitments looms.

Last month, President Hassan Rouhani formally submitted amendments to the AML/CFT laws to the parliament and CBI published a new directive aimed at boosting current regulations.

According to Arjomandnejad, "based on several estimates conducted recently, 47% of all the money laundering in the world take place in the US while 23% happen in Europe", which means that the two constitute 70% of all money laundering violations.

The CBI official further said that because many of the money laundering offenses are conducted in "financial institutions with a significant depth and through financial instruments whose examples are seldom found in Iran", Iran's share in the global money laundering offenses is not expected to be considerable.

"However, related entities are following up the issue so that this likely meager share would also be brought down to zero," he concluded.

*Source: Financial Tribune*

## PPI Inflation in Iran at 9.7%

The average Producer Price Index in the 12 months ending Dec. 21, which marks the end of the Iranian month of Azar, increased by 9.7% compared with last year's corresponding period, the latest report by the Central Bank of Iran announced. CBI put the preceding month's PPI inflation at 9.4%. A year-on-year increase of 10.7% was registered in the index compared with the similar month of last year. PPI (using Iranian year to March 2012) stood at 255.9 in Azar, indicating a

1.5% rise compared with the previous month. The importance of PPI lies in its predictive content for the future pattern of Consumer Price Index. Changes in PPI are usually reflected in CPI within a short period of time. The latest CBI report shows that the average goods and services CPI for urban areas in the 12 months ending Dec. 21 increased by 10% compared with last year's corresponding period.

Source: *Financial Tribune*

## Most Iranian Fintechs in Credit Payment Sector

Three quarters of all Iranian financial technology firms are currently active in the payment sector, according to an electronic banking expert.

"But the big issue in the payment sector is that innovation in offering services is difficult, because credit payment systems do not exist and Iran has a peculiar fee system," Nima Namdari added.

"Incomes in the payment sector are very limited," he was also quoted as saying by the official news portal of the Monetary and Banking Research Institute.

The institute is in charge of holding the upcoming annual Conference on Electronic Banking and Payment Systems scheduled for Jan. 2 in Tehran.

However, Namdari, who is also the deputy for projects and development at the Ertebat Farda E-Commerce Company, predicts a bright future for the payment sector and fintechs because of their young age and strong structures.

"No serious step has been taken for fintechs and the reason is that banks are mostly aging and that has made them conservative," he adds.

However, the expert is of the belief that lenders will catch up soon, as they will be forced to make a move to increase client satisfaction and diversify their services because of their dire profitability and financial conditions.

Stressing that if the banks wish to expand their array of services, Namdari said they have "no choice" but to depend on outside players i.e. fintechs, but they will require infrastructures and platforms to do that.

"Platforms have currently been formed and that represents a good step in this field. But in my opinion, the banks are currently are lagging in this regard when compared to the payment sector," he said.

As to how long it will take specialized banking fintechs to emerge in Iran, the expert said their number will rise up to 10 in the next two to three years while the number of non-payment fintechs would be in double digits.

Namdari defines non-payment fintechs as firms operating in personal financial management, credit evaluation and wallets, i.e. any fintechs whose main activity does not deal with bank cards.

Source: *Financial Tribune*



## Chain stores increasing in Iran

According to Alireza Parvaneh, the manager of Food and Beverage Department of Refah Chain Stores Company, chain stores have about 9.2% share in Iran's retail market. This percentage was about 7% last year and only 3% five years ago, which shows an increasingly rise in number of chain stores in Iran.

Although this share compared with around 70% share of chain stores in advanced countries, is not high, however, the progressive growth trend shows that Iranians' shopping pattern is shifting and they find chain stores more convenient and cost effective.

On average, prices at chain stores are offered about 15% lower than the printed prices on products' packages to attract more consumers. This is because they are provided by main suppliers without any middleman. Also, chain stores allow customers to buy all their routine needs in one place.

Currently 2500 chain stores are active in Iran with around 25,000 employees, Amir Khosro Fakhrian, the head of National Union of Chain Stores, said. The National Union of Chain Stores was launched in March 2017 after receiving many applications for building of chain stores, aiming to control the operation of chain stores and to issue and extend licenses.

According to Amir Khosro Fakhrian, Chain stores have a 120-trillion-rial (\$3.2 billion) share of the Iran's 1.3-quadrillion-rial (\$34.6 billion) retail market. From this share 50 trillion rials (\$1.3 billion) worth of investments have been financed by public and private sectors in this field.

**For more information...**



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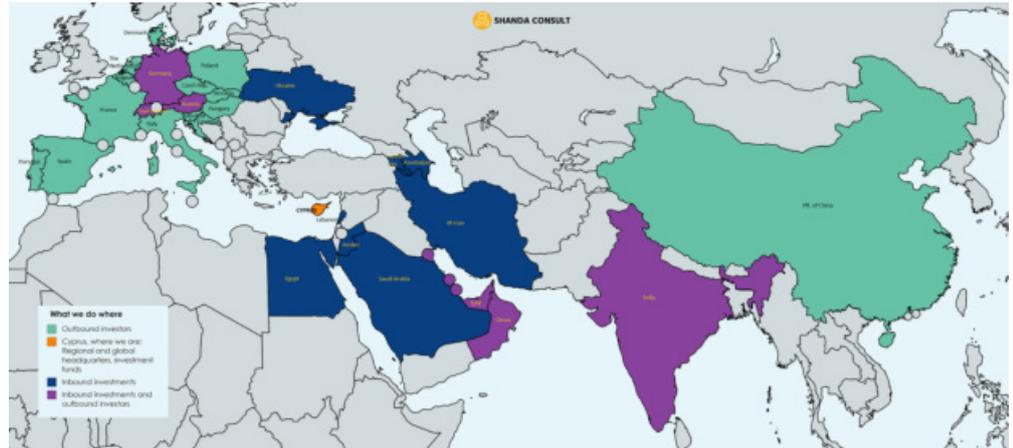
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*We build bridges...*



## The EMENAI Newsletter

### Information from our core markets



EMENAI – Europe, Middle East, North Africa and India, the regions of activities of Shanda Consult. Our newsletter, published every six to eight weeks, informs about business and investment related topics from the markets that we are focusing on. Being well established in the wider Middle East and in Germany and neighbouring countries, our firm and its associates focus on the following competences:

- Consulting and localisation services for European industrial investors regarding their industrial investments in the Middle East and India;
- Consulting and localisation services for investors from the Middle East, India and China regarding their investments in Germany, Austria and Switzerland (share and asset deals);
- Setting up regional and global headquarters in Cyprus, company registration, corporate and fiduciary services, localisation, accountancy, setting up funds (mainly AIFs).

Besides information and news about Cyprus, the EMENAI Newsletter publishes a different featured focus with every issue.

Featured focus may be on a country, and industry or any other business-related topic.

**While we are focusing on Iran this month, the featured focus of our next issue will be Family Offices and International Taxation.**

#### About Shanda Consult

SHANDA CONSULT is an international consulting firm based in Nicosia, Cyprus, with a wide network of trusted partners in the European Union, the Mediterranean, in the Middle East and Asia. The main target markets are the EU, Iran, the Gulf States and China.

SHANDA CONSULT offers an integrated range of business advisory services designed to facilitate and initiate cross-border industrial investments, and to improve competitiveness and performance, as stated in the following:

We strategically assess our clients' investment intentions, plans and strategies, their operating structure, management and objectives.

We support clients with corporate restructuring and performance improvement.

Additionally, we facilitate corporate relocation and business localisation, including establishing new representative and branch offices and special purpose vehicles for investments and market entry.

Moreover, we are familiar with the processes of company registration and management in Cyprus and other locations, including provision of local directors, secretaries, office space and other support.

Market analysis, market entry services, business matchmaking are as well part of our portfolio and we prepare and conduct management and staff training, including negotiations and general communications skills and intercultural communications skills.