

Incentives and Supportive Package of the Iranian Capital Market

1. Tax exemptions

- 1.1. Tax exemption on profit (loss) of shares and share rights: In most financial markets, investors have to pay taxes on capital gains; while this does not apply to the Iranian capital market under article 143 of the “Direct Taxation Act”.
- 1.2. Tax exemption on share dividends: according to note 4 of article 105 of the “Direct Taxation Act”, the income from investments is tax-exempt. While in many countries, investors must pay dividend tax separately.
- 1.3. Tax exemption on mutual funds proceeds: according to note 1 of article 133 of the “Direct Taxation Act”, this exemption creates a great attraction for mutual funds and directly benefits their investors. With this article in place, the return of these funds increases and more resources are attracted to them
- 1.4. Tax exemption on the transaction of units: according to article 7 of the “Law for Development of New Financial Institutions and Instruments”, the income of issuance and redemption of funds’ units will be exempted from paying income and value-added taxes to increase their attractiveness.
- 1.5. admissibility of share dividend and transaction fees: according to note 2 of article 7 of the “Law for Development of New Financial Institutions and Instruments”, The profit and fees paid or allocated for securities as referred to in note (1) of this article, excluding the dividend and shares of companies, and the profit gained on investment units of funds, on the condition of registering these securities with the Organization, shall be regarded as parts of acceptable expenses for assessment of taxable income of such securities issuer.

1.6. Tax exemption of SPVs: according to article 11 of the “Law for Development of New Financial Institutions and Instruments”, the SPV shall be exempt from payment of any tax whatsoever and transfer tax, charges and income tax for that category of the assets for which the funds are raised through the issuance of securities for public offering. Moreover, in article 12 of this law, the proceeds gained from selling assets to the SPV so as to provide financial resources through the public offering of securities shall be exempt from tax and no tax and charges whatsoever shall be levied on the transfer of such securities.

1.7. Exemption of income tax for listed and OTC companies: according to article 6 of the “Law for Development of New Financial Institutions and Instruments”, ten percent (10%) of the income tax of the companies whose shares have been listed for trading on the domestic or foreign exchanges and five percent (5%) of the income tax of the companies whose shares have been listed for trading on the domestic or foreign OTC markets shall be exempted with the approval of the SEO.

1.8. Tax exemption for goods sold on commodity exchanges: according to article 6 of the “Law for Development of New Financial Institutions and Instruments”, ten percent of the income tax gained from the sale of the commodities listed on the commodity exchanges shall be exempted subject to the approval of the SEO.