

Iran Cultural Heritage, Handicrafts and Tourism Organization

Opportunities and Tourism Attractions in Iran Incentives and Support in Tourism for Investment

Form of Investment in Iran Tourism Industry

Deputy of Investments and Projects

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In the Name of God

Introduction:

Iran Cultural Heritage, Handicrafts and Tourism Organization has an important role as one of the main pillars of culture and art in the country and the administrator of the lasting heritage of the ancient civilization of Iran, by considering the vastness of the responsibilities turned over, such as introducing its rich culture and civilization, and the cultural, historical, natural and tourism potentials of the country and exploiting its advantages and potentials to promote its real position as one of the large tourism poles in the world.

This issue will be considered especially important in this era in which cultural values have become important sources for the production of economical values, in such a way that nowadays the development of tourism and restoring cultural heritage in creating positive economical effects has noticeably increased and is considered as one of the main factors of creating jobs, increasing foreign currency income and improving the level of payment in all countries.

On the other hand, as an independent, local and pure industry with strong art, cultural, commercial and social aspects, and being in the same path as the tourism development industry, handicrafts can have a considerable share in the commerce of the country and introducing the great Iranian art and finally the economical and cultural life of the country.

To fulfill this purpose, , Iran Cultural Heritage, Handicrafts and Tourism Organization (ICHHTO), as an independent organization, has been created in the form of one of the Presidency deputies by combining the three organizations of: Cultural Heritage, Handicrafts, and Iran Touring and Tourism Organization with the purpose of using their potentials to develop tourism, and due to the importance of the activities of this organization and the special attention of the authorities of the Islamic Republic of Iran towards the role of handicrafts, cultural heritage and especially tourism, this organization has played a fundamental role in the development of the country in the recent years.

The Deputy of Investment and Projects of ICHHTO is one of the important deputies of this organization and is responsible in creating the substructures of tourism, attracting domestic and foreign investors and providing bank facilities (foreign currency and Rials), arranging the support necessary for the development of this industry such as 50 % tax exemption, aid in creating substructures, providing wage and interest facilities, discounts in the issuance of construction permits guaranteeing foreign investment within the laws of encouraging and supporting foreign investors, assigning fair tariffs for the required fuel, water and electricity, providing land at fair prices and compiling programs and projects for the development of substructures of different fields of tourism.

To create the suitable background for the presence of investors and creating the required substructures this deputy has granted almost 480 million dollars as financial aid.

Among the important activities of this deputy, a few can be mentioned as: signing management contracts with managing banks to provide wage and interest facilities for research and study projects in tourism, programming to create the required tourism substructure foundations in the typical tourism areas, supplying and compiling typical tourism areas comprehensive projects after the mentioned areas are identified and approved and programming in order to provide the resources required to execute the projects, performing required examinations to predict suitable solutions to attract domestic and foreign capital and sources and facilitating the process of investment in tourism such as the expansion of electricity networks, water and gas, telephone and road access and as a result, the increasing growth in the private sector investment in creating tourism foundations such as hotels, mid-way complexes, camping sites etc., has turned Iran into a country with high potentials in receiving tourists.

The existence of the holy shrines of Imam Reza (pbuh), Prophet Masoumeh (pbuh) in the religious city of Qom along with the temples of the religious minorities has placed Iran among the best in the middle Asian countries and the Caucasian region.

The recent massive investment in the industry of transportation and other substructural services has paved the way for suitable services to domestic and foreign tourists and due to the undeniable role of developing the substructural services and the transportation network in developing tourism, Iran stands next to Turkey and the Emirates as a tourism target.

Incentives and Supports for Investment in Tourism

In the sector of encouragement and support to foreign investment, wide actions and activities have taken place. The most important activities in encouraging investment in tourism can be mentioned below:

- 1- According to the law of encouraging and supporting foreign investment, if investment permits are obtained from the Iranian Foreign Investment Committee, the risk of non-commercial investment is completely covered.

The expansion of the field of activities of the foreign investors such as the possibility of investment in the substructures, formally realizing the new methods of foreign investment such as project financing , buy back and the different methods of Building, Operation and Transfer (BOT), the shortening of the process application acceptance and approval of foreign investment in the Foreign Investment Committee are among the advantages of the new law of encouraging and supporting foreign investment.

In the sector of foreign financing, according to the law of the formation of Iran Cultural Heritage, Handicrafts and Tourism Organization, at least 10 percent of the total finance of the country must be allocated to developing tourism and handicraft projects, and according to the actions taken by this deputy in 2008, foreign currency blocking certificates worth of approximately 800 million dollars were issued for a few projects with priority.

- 2- According to the approved law of the government, a number of 1100 typical tourism areas in suitable regions of the country have been identified and approved in order to pave the way for the attraction of foreign and domestic investment by observing the laws of encouraging and supporting foreign

investment. The mentioned areas will be formed in four international, national, provincial and local levels according to their capacity to receive tourists in order to provide services to foreign and domestic tourists.

Each area will have recreational, cultural, and tourist centers such as accommodation, shopping handicraft production and sales, cultural and sports units, parks and other tourism services.

To this purpose, all ministries, institutes and governmental companies are obliged to provide services to investors with conditions and rates approved in the cities and villages located near them.

- 3- One of the most important incentives of investment in Iran tourism industry is tax exemption. According to note 3 article 132 of direct tax laws, all tourism foundations operation license are exempted from paying liable tax annually.
- 4- The rates of hotels which have been operative since 1993 are exempted from the rules of rating according to the approved item no. 62/1924 dated 26/7/1992 by the Budget and Programming organization, which has been approved in the supreme commercial council. This implies that the hotel management can set suitable rates based on time conditions according to its inner policies.
- 5- Tourism investment opportunities packages have been prepared in Farsi and English for the below mentioned items and are ready to be handed out to investors:
 - Typical tourism areas
 - Accommodation foundations such as hotels, motels and camping sites
 - Ecotourism and tourism target villages
 - Suburbs and handicraft bazaars

- Historical monuments which can be restored by cultural heritage bases
- Hydrotherapy complexes
- Coastline investment packages
- Tourism investment service packages
- Investment packages in commercial and economical free zones

The prepared investment opportunity packages make it possible for the investors to get brief information on the economical, financial and technical characteristics of the project as well as the physical improvement, location and other specifications of the project.

In Iranian commercial –industrial free zones, many foreign investment incentives have been predicted. Being exempted from the governing laws and regulations on governmental companies and other public governmental rules, and being managed exclusively according to this rule and related Articles of Associations are the most important characteristics of these regions. Some of the investment incentives in free zones are as follows:

- According to public regulations article 20 of the law of managing I.R of Iran commercial- industrial free zones, the entrance and exit of capital and interest obtained from economical activities in each zone is free.
- According to public regulations article 13 of the law of managing I.R of Iran commercial- industrial free zones, legal and real entities which perform different economic activities in the area, are exempted from income tax of the direct tax law for any kind of economical activity in the free zone from the date of exploitation mentioned in the permit for a period of 15 years. And after

fifteen years they will have to obey tax laws which will be approved by the Islamic Consultative Assembly at the committee of Ministers' suggestion.

- According to note 1 article 24 of the above rules, renting land to foreign citizens is permitted.
- According to note 1 article 5 of Export, Import and Customs rules of commercial-industrial free zones, goods which consist of material, tools and building material for the construction of productive, commercial, service, residential and substructural activity units (except decorative items and furniture), and are entered into the zone from other countries or other places of the country or other commercial-industrial free zones, will be exempted from paying port and airport taxes at the zone organization's recognition and for the amount required.

Also according to note 2 of the same article , machinery, raw material, components and spare parts required for production, producing tools and equipment, production machinery spare parts and investment transportation (except cars and yachts) are exempted from port and airport taxes but are required to pay service costs.

One of the programs of ICHHTO is to support tourism development in commercial and economical free zones. The presence of the organization in the zone is to introduce investment potentials in tourism to tourists and finance providers (foreign and domestic) and assist in developing the substructures of tourism.

For instance, the preliminary stages of a memorandum of understanding for joint cooperation have been passed between the deputy of investment and projects and the free zone council secretariat to facilitate investment in free zone tourism sectors such as Kish and Ghesm islands, and interested investors can make sure that the necessary cooperation and support will be given by the economical free zone and this organization for the issuance of establishment permits, and introducing investors to banking systems to obtain facilities.

The most important issues of the joint cooperation MOU between the deputy of investment and projects of ICHHTO and the free zone council secretariat which is related to the attraction of foreign investment in tourism are:

- The cooperation of the provincial deputies of investment and projects of ICHHTO in identifying the investment opportunities and issuing agreement letters and giving legal support.
- Cooperation to prepare the identified opportunities in the form of investment packages to be given to applicants.
- Introducing investors to the banking systems to get facilities on the basis of sources and payable credit.
- Providing facilities for the substructures of tourism development within the frameworks of the sources of the deputy of investment and projects.

- Issuing establishment permits for health typical tourism areas (tourism therapy) for one of the islands of the Persian Gulf and the Caspian Sea, which will be examined and announced by the free zone council secretariat.
- Forming common workshops for tourism development in free zones to organize, identify and attract investors, following the required activities and studies of the projects and implementing the present MOU.
- Examining the formation of special professional tourism areas in free zones (such as typical tourism areas, health villages, technology and information int'l parks. International sport recreational complexes for sport camps...)
- Holding international-professional festivals to introduce the tourism attractions in free zones.
- Cooperation in introducing attractions, opportunities, laws etc. through media and virtual spaces.
- Providing the required substructures and land to construct tourism foundations in free zones.
- Issuing permits to establish typical health tourism areas (tourist therapy) in one of the independent islands having substructures and suitable access such as airports, passenger ports etc.

6- According to article 131 of the third program law authorized in article 29, in order to help road transportation and the construction of terminals for passengers and commodities and mid-way complexes by the private sector with priority to cooperative institutes, the Terminal and road Transportation

organization is permitted to provide credit facilities through banks from inner sources in the form of controlled funds, and pay the remaining interest rate from its inner sources.

For this purpose, up to now, a great number of mid-way complexes have used facilities from the Terminal and Road Transportation organization besides the fact that ICHHTO has given great financial help to aid the creation of substructures of mid-way complexes.

- 7- The facilities of the Environmental Protection organization related to investors of tourism are as follows:

According to the mutual MOU concluded in 2007 between the Environmental Protection organization and ICHHTO, in order to facilitate the implementation of tourism projects, suitable solutions have been taken into consideration to assess the environmental effects of tourism projects.

- 8- According to article 22 of the law of attaching items to the laws of regulating parts of financial governmental laws approved on 16/2/2002, in order to facilitate the development of hotels and accommodation centers and other tourism foundations at the demand of ICHHTO:

- 1- The National Housing and Land organization is obliged to offer the required land to the investors at the price determined by experts in the form of a five year rent resulting in ownership.

- 2- The Forestry and Grassland Organization of the country and the provincial general offices of the Ministry of Agricultural Jihad have to turn over the required land to the investors at the regional price.

- 3- Change in the usage of the lands for the construction of hotels will be decided upon and put into action extraordinarily at ICHHTO's suggestion in article five commission law of establishing the high council of city construction and architecture.
- 4- The tax due to change in usage and sales density will be paid to the related municipality by the investors in installments of five to ten years after exploitation.
- 9- According to article 6 of the law of developing Iran touring and tourism (approved 1991), the Urbanic Ground organization, municipalities, forestry and grassland organization and the other ministries and related organizations are obliged to turn over the land required to applicants for constructing Iran touring and tourism foundations, as being introduced by ICHHTO at the regional or finished price or in a form that does not cause reduction in public income.

According to article 12 of the administrative regulations of the law of developing Iran touring and tourism industry, Iran touring and tourism foundations and travel agencies and other similar establishments such as the inner establishments of world tourism foundations, are required to pay the tax rates of construction license issuance of industrial sectors, and municipalities are obliged to estimate and receive the determined tax for the building without considering the land type license and usage, according to the rates of the industrial sector, with the exemption of land tax except renovation tax.

Also, according to the note of the above mentioned article, the municipalities are required to estimate and receive the determined tax according to the rates of the industrial sector with the most discounts.

In addition to this, according to part b of the mentioned article, Iran touring and tourism foundations and travel agencies are entitled to industrial rates regarding costs of fuel, water, electricity and telephone membership and use, and related organizations are required to estimate and receive the related costs without consideration of construction license type, location usage and amount used.

How to Invest in Iran Tourism Industry

Stage one: Gathering preliminary information

Due to the remnants of our ancient heritage and unique historical, cultural and natural attractions, our country Iran, is annually visited by numerous domestic and foreign tourists. This is taken into consideration from different aspects.

Undoubtedly, the role of tourism industry is important in stabilizing development and passing through financial, political and economical crisis and our country can take fundamental steps through tourism and the development of this industry for economical, social and political programs especially creating jobs.

In official world statistics, the created job of one out of eight persons is related to tourism and this is important in our country and it can be claimed this number can increase.

It must be mentioned that investment in creating, completing, developing, and equipping suitable tourism foundations is being paid attention to by the government and authorities as the importance and necessity of developing this industry and its potentials are being known.

Through studying the serious needs of the society in order to develop the substructures of tourism such as the development of foundations and accommodation centers, has made foreign and domestic investment become of great importance.

Stage two: Tourism Foundations and its meaning

What a tourist can use today for his own safety and welfare are tourism foundations which are constructed according to rules and regulations, to provide services to passengers and tourists, and have been divided as follows:

- Hotels, motels and mid-way complexes
- Inns
- Accommodation centers for youth
- Self entertainment centers such as hotel apartments, pensions etc.
- Resorts, tourism camping, camping and caravan sites
- Recreational complexes (except places belonging to municipalities) and other places established to provide services, entertainment and accommodation according to the rules and regulations of ICHHTO.
- Entertainment centers (holiday centers)
- Travel and tourism agencies
- Typical tourism areas
- Time-sharing residences

Stage three: Handing in Applications to Receive Bank Facilities

Each legal or real entity, whether private or cooperative can hand in an application to receive bank facilities after going through the process of obtaining agreement letters and the approval of architectural plans

according to the items announced and also after supplying 20 percent of his equity share.

Giving facilities to projects related to tourism foundations and cultural heritage is given in sectors of construction, development, equipping and renovation; and the credit required is obtained through contracts signed between ICHHTO and managing banks.

The amount of loan allocated is in accordance with the project potentials and the amount of investment taken place or being performed. The investors can choose projects and thus get the land to initiate the substructures by considering the general and specific conditions of areas to be invested in based on financial, technical and economic accounts. These accounts are important factors in encouraging investors to perform tourism activities. If a project does not have the mentioned accounts, it certainly does not have the ability to be executed and investors will either have problems during or after actions have taken place. Therefore must take necessary steps to examine all aspects before making investments.

Stage four: Issuing the building license and construction permit

After the approval of the plans by the organization, the issue is sent to municipalities of the area for the approval to build each of the tourism foundations, and the municipalities take actions to issue licenses according to the comprehensive city plan if there is no obstacle.

According to the law of attaching items to laws of regulating parts of government financial laws approved on 16/2/2002 which was also

approved in the public Islamic Consultation Assembly and further approved by the esteemed Guardian Council on 16/8/2005 which has been announced to be executed is as follows:

Item 3 of article 22 of the mentioned law:

The tax resulting from change in usage and sales of density will be paid by investors in 5 to 10 year installments from the beginning of operation to the municipalities of the region.

Stage five: The Issuance of Agreement Letters by the Organization

The procedure of the issuance of agreement letters by ICHHTO:

- 1- A written application must be handed in by the applicant to the relevant provincial ICHHTO.
- 2- The location must be visited by an expert from the provincial ICHHTO.
- 3- A preliminary approval and its announcement. (in case of disapproval, it must be announced to the applicant by mentioning the reason in written form)
- 4- The initial documents must be obtained a) ownership deeds b) plan of the area
- 5- The documents must be examined and the result must be announced to the tourism workshop.
- 6- Enquiry from related organizations (enclosed form)

6-1- The Regional Water Company (in order to observe the limits of rivers, sea, agricultural canals, dams etc.)

6-2- The Regional Electricity company (in order to observe the limits of high voltage electricity)

6-3- Electricity supplying company (to provide the required electricity of the project)

6-4- Gas and Petrol Co. (in order to observe the gas and petrol pipes)

6-5- Natural Resources office (to observe the forest and national land areas)

6-6- Environmental organization (to observe the environmental issues)

6-7- Cultural Heritage (the ancient and historical areas of the city or village)

6-8- Land Affairs Organization (in order to examine agricultural lands and the kind of usage)

6-9- Municipality (in case the land is located in the city)

6-10- Road and Transportation office (in order to observe the main and subsidiary routes)

6-11- Water and Sewage Co. (the form of water provision and disposal of sewage)

6-12- Other organizations when necessary

7- The issue must be considered in the tourism workshop.

Issuance of agreement letters (enclosed form)

Stage six: Preparing Architectural Plans According to the Regulations of the Organization

After the agreement letters is issued, it is announced to the applicants in written form and they are required to prepare architectural plans according to the regulations of the organization within a period of six months.

- 1- Preparing architecture plans
- 2- Examining, approving and announcing the architectural plans

Stage seven: The Approval of Facilities (form enclosed) and Introduction to Banks

Generally, investors must apply for facilities after fully being informed of the public relations of obtaining facilities and also after studying the laws related to bank transactions without usury.

Some of the conditions in which banks refrain from giving facilities to investors are as follows:

- 1- Having bounced checks from any of the banks.
- 2- Prohibition from receiving bank facilities by judicial authorities
- 3- Investors having unattended debts
- 4- Banks do not give facilities for purchasing accommodation areas etc.
- 5- Usually two banks do not cooperate in one project simultaneously

- 6- Banks do not cooperate with projects having no financial, technical and economical accounts
- 7- Legal government entities, public subjects as well as municipalities cannot use facilities without obtaining permits from the central bank.

Note:

Investors are required to organize the project timetable in such a way that the project would take at most 10 years after obtaining facilities, consisting of three years cooperation with the bank for construction, one year break and six year of installment. If the projects are not completed due to the negligence of the investor, this does not cause the conversion of the project cooperation period to installment sales on behalf of the bank.

The securities accepted by banks

The securities accepted by banks are the guarantees of returning the facilities and its interest and the commitment of investment execution by the investor.

- 1- Immovable goods such as real estate or buildings and attachments in the project location which can belong to the applicant or partners. The property to be put on mortgage by the bank must be of good quality, unchallenged, complete and free.

Properties such as dry and agricultural lands can not be usually mortgaged.

- 2- Securities, formal letters of guarantee and company shares accepted in the stock market as well as securities issued with permit from the central bank.

- 3- Official documents such as governmental deeds or treasury bonds.
- 4- Bills of public storehouses.
- 5- Commercial documents such as drafts.

It must be mentioned that the above items are accepted at the bank expert's recognition and evaluation.

Stage eight: The Examination of the Case in the Management Bank

As soon as the investor refers to the bank and hands in the letter of introduction by ICHHTO, the bank takes action to complete the documents, examine the case and approve the project within one month. In case of shortcomings in the documents, it is announced to the applicant and organizations within the mentioned period. Otherwise the project is approved and introduced to official registration offices.