

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 immensity of the responsibilities, such as introducing Iran's rich culture and civilization, promoting the cultural, historical, natural and tourism potentials and exploiting its advantages and potentials to endorse its position as one of the world's most attractive tourism pole.

This issue is especially important in this era in which cultural values have become important sources for the production of economical values. 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 handicraft, as an independent, local and pure industry with strong artistic, cultural, commercial and social characteristics, can have a considerable share in the commerce of the country and play a crucial role in introducing the great Iranian art.

To fulfill this purpose, , Iran Cultural Heritage, Handicrafts and Tourism Organization (ICHTO), as an inde-

pendent 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 intention of using their potentials to develop tourism. 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 key role in the development of the country in the recent years.

The Deputy of Investment and Plans of ICHTO is one of the most important deputies of this organization. ICHTO is responsible in creating the tourism infrastructures, attracting domestic and foreign investors while providing banking facilities (foreign currency and Rials), arranging the supports necessary for the development of this industry (e.g. 0% tax exemption), assisting in creation infrastructures, providing wage and interest facilities, offering 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 infrastructural agendas and projects for the expansion of different tourism fields.

To create the suitable background for the presence of investors and creating the required infrastructures, this deputy has granted almost \$280 million as financial infrastructural aid in period 2005-2009.

Some of the important activities of this deputy are as follow:

Signing contracts with investment banks to provide subsidized credit facilities for R&D projects concerning tourism, planning for the construction of necessary tourism infrastructures in the special touristic zones, initiating and implementing comprehensive plans after the mentioned areas are identified and approved, conducting research analysis to foresee suitable strategies for the purpose of attracting domestic and foreign capital and resources, and smoothing the progress of investment in tourism.

Hosting two international exhibitions in 2008 and 2009 are examples of our organization's approach to showcase its serious commitment toward improving and expanding tourism infrastructures in Iran.

Tourism Opportunities and Attractions of Iran

Located on the Silk Road, Iran has access to middle Asian countries from its eastern borders and to international waters from north and south, which puts it at very desirable geopolitical spot on the map.

When it comes to tourism, possessing vast historical and cultural heritages are amongst the most important relative advantages of Iran compared to the countries in the region. With over three millenniums of history, Iran has witnessed numerous historical events from which it has inherited a diversified collection of tourist attractions such as: ancient building sites recognized by unesco, historically rich cities such as Shiraz, Isfahan and Hamadan.

The increase of governmental support, through direct investment, for the purpose of creating and improving infrastructures of tourism industry has profoundly increased the potentials of growth in this industry. The expansion of electricity, water, natural gas, communication and transportation networks are a few examples of such activities. However, the increased involvement of private sector in this industry, by building hotel and Accommodations , hospitality facilities and camping areas, has also helped to put Iran on the tourists' destination list.

The existence of the holy shrines of Imam Reza (pbuh), Prophet Masoumeh (pbuh) in the religious cities of Mashhad and Qom along with the temples of the religious minorities has placed Iran amongst the most desirable places in the middle Asian countries and the Caucasian region for religious tourists.

Incentives and Supports for Investment in Tourism

A wide range of initiatives have taken place to encourage and support foreign investment in the tourism industry. The following are a selected few of important incentives put in place by the government of Islamic Republic of Iran:

١- According to the law of encouraging and supporting foreign investment, if investment permits are obtained from the Iranian Foreign Investment Committee, the investing party is fully hedged against any non-commercial risk.

Expanding the range of opportunities available to foreign investors(e.g. investment opportunity in infrastructures), formally realizing the new methods of foreign investment such as project financing , buy back and the different methods of Building, Operation and Transfer (BOT), reducing application processing time for foreign investment in the Foreign Investment Committee are a few advantages of the new law of encouraging and supporting foreign investment.

With regards to financing, according to the law of the formation of Iran Cultural Heritage, Handicraftsand Tourism Organization, at least ١٠% of the country's foreign currency financial credits must be allocated to tourism and handicrafts projects. As a result of actions taken by this deputy, in ٢٠٠٨ foreign currency blocking certificates worth of approximately \$٨٠٠ million was granted for a few projects on prioritized bases.

According to the approved law of the government, ١١٦٥ special touristic zones in suitable -٢ regions of the country have been identified and approved in order to attract foreign and domestic investment. These zones are categorized based on their capacity in to four categories(international, national, provincial and local). Each area will have cultural centers, recreational centers, services(banking, hospitals, ect. hotel and Accommodations, parks, .retailers along with production and retail markets of handicrafts and arts

All ministries, government institutions and companies are obliged to provide services to investors with conditions and rates approved in the cities and villages located nearby these zones.

۳- One of the most important incentives of investment in Iran tourism industry is tax exemption. According to note ۳ article ۱۳۶ of direct tax laws, all tourism firms with an operation license are subject to a ۰% tax exemption.

۴- Hotels which have started their operations after ۱۹۹۳ are exempted from the rules of price ceiling according to the approved item no. ۶۲/۱۹۹۴ dated ۲۶/۷/۱۹۹۲ 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.

- Tourism investment opportunities packages have been prepared in Farsi and English and are ready to be handed out to investors for the following opportunity areas:

Special Touristic Zones

Accommodations such as hotels, motels and camping sites

Ecotourism and tourism target villages

Handicraft bazaars

Historical monuments that can be restored by cultural heritage bases

Hydrotherapy complexes

Coastline investment

Tourism investment services

Investment packages in commercial and economical free zones

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

۵- Many incentives have been put in place to attract foreign investors to Iranian commercial-industrial free zones. Exemption from the governing laws and regulations on governmental companies and other public governmental rules and being regulated 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 ۳۰ of the managing regulations of the commercial- industrial free zones of I.R of Iran, the entrance and exit of capital and interest obtained from economical activities in each zone is free.

- According to public regulations article ۱۳ of the managing regulations of the commercial- industrial free zones of I.R of Iran, legal and real entities which perform different economic activities in the area, are exempted from income and property taxes 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 ۳۰ years. And after ۳۰ years they shall obey the tax laws. That will be approved by the Islamic Consultative Assembly at the committee of Ministers' suggestion.

- According to note ۱ article ۲۴ of the above rules, renting land to foreign citizens is permitted.

- According to note ۱ article ۰ of Export, Import and Customs rules of commercial-industrial free zones, goods which considered to be materials, tools and building materials for the construction of production lines, commercial, service, residential and infrastructural activity units (except for decorative and furniture items), and are imported to the free-zone from other countries, other places of the country or other commercial-industrial free zones, will be exempted from paying port and airport taxes and duties but are subject to service fees.

Also according to note ۲ of the same article, machineries, raw materials, components and spare parts required for production, tools and equipment, production machinery spare parts and investment transportation (except cars and yachts) are exempted from port and airport taxes and duties but are subject to service fees.

۶- According to article ۱۳۱ of the third program authorized in article ۲۹, in order to help road transportation and the construction of terminals for passengers and goods 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 domestic 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 credit facilities from the Terminal and Road Transportation organization besides the fact that ICHTO has also given great financial help to aid the creation of infrastructures of mid-way complexes.

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

According to the mutual MOU between the Environmental Protection organization and ICHTO concluded in ۲۰۰۷, in order to facilitate the implementation of tourism projects, appropriate solutions have been taken into consideration to assess the environmental effects of tourism projects.

۹- According to article ۲۲ of the law of attaching items to the laws of regulating parts of financial governmental laws approved on ۱۶/۲/۲۰۰۲, in order to speed up the process of the development of hotels, accommodation and other tourism centers at the demand of ICHTO:

۱- 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(lease to own).

۲- 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.

۳- Changes to the land use for the construction of hotels will be decided upon and put into action extraordinarily at ICHTO's suggestion in article five commission law of establishing the high council of city construction and architecture.

۴- The tax due to change in land use and sales density will be paid to the related municipality by the investors in installments of five to ten years after exploitation.

۱۰- According to article ۱ of protection and utilization of jungles and pastures laws passed on ۱۶/۰۲/۲۰۰۲, all jungles, pastures and forests are public properties and are owned by the government unless real or legal entities have taken position of them before passing this law.

According to the article ۲ of the same law, utilization of national jungles , pastures and forests that are properties of the government for the purpose of extracting wood, firewood and coal shall be approved by the forestry agency. In addition, a permission license must be obtained from the forestry agency.

۱۱- According to article ۶ of the law of developing Iran touring and tourism (approved ۱۹۹۱), the Urban Lands organization, municipalities, forestry and grassland organization and all other ministries and government agencies are obliged to turn over the land required for constructing touring and tourism facilities, as being introduced by ICHTO at the regional or finished price or in a form that does not cause reduction in public income.

۱۲- According to article ۱۲ of the administrative regulations of the law of developing Iran touring and tourism industry, Iran touring and tourism facilities and travel agencies and other similar establishments such as the domestic establishments of tourism, are required to pay the taxes of construction license issuance of industrial sectors, and municipalities are obliged to estimate and collect the determined tax for the building without considering the land use, according to the rates of the industry sector, with the exemption of land tax(except for renovation projects).

Also, according to the note of the above mentioned article, the municipalities are required to estimate and collect 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 institutions and travel agencies are entitled to industrial rates with regards to costs of fuel, water, electricity and telephone membership and use. Related organizations are required to estimate and collect the related costs without consideration of construction license type, land use 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. Our country can take fundamental steps through tourism and the development of this industry for economical, social and political growth, with more emphasis on job creation aspects.

Stage two: Tourism Facilities and its meaning

What a tourist can use today for his own safety and welfare are tourism establishment which are constructed according to rules and regulations to provide services to them. These establishments are categorized as follow:

Hotels, motels and mid-way complexes

Inns

Accommodation centers for youth

Self entertainment centers such as hotel apartments, hostels 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

Special Touristic Zones

Time sharing accomodations.

Stage three: Handing in Applications to Receive Bank Facilities

Every legal or real entity, whether private or cooperative can hand in an application to receive banking 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 ۲۰% equity.

Providing the required facilities for projects related to tourism infrastructures and cultural heritage is given to sectors of construction, development, equipping and renovation; and the credit required is obtained through contracts signed between ICHHTO and investment banks.

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

Stage four: Issuing the building license and construction permit

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

According to the law of attaching items to laws of regulating parts of government financial laws approved on ۱۶/۲/۲۰۰۲ which was also approved in the public Islamic Consultation Assembly and further approved by the esteemed Guardian Council on ۱۶/۸/۲۰۰۰ which has been announced to be executed is as follows:

Item ۳ of article ۲۲ of the mentioned law:

Changes to the land use 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 urbanization and architecture.

Item ۴ of article ۲۲ of the mentioned law:

The tax resulting from change of land use and sales of density will be paid by investors in ۰ to ۱۰ 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:

۱- A written application must be submitted by the applicant to the relevant provincial ICHHTO.

۲- The location must be visited by an expert from the provincial ICHHTO.

۳- A preliminary approval and its announcement.

(in case of disapproval, it must be announced to the applicant by mentioning the reason in written form)

٤- Submission of the preliminary documents:

a) ownership deeds

b) sketch of the area

٥- The documents must be examined and the result must be announced to the tourism workshop.

٦- Enquiry from related organizations

٦-١- The Regional Water Company (in order to observe the limits of rivers, sea, agricultural canals, dams etc.)

٦-٢- The Regional Power company

(in order to observe the limits of high voltage electricity)

٦-٣- Electricity distribution company

(to provide the required electricity of the project)

٦-٤- Gas and Petrol Co. (in order to observe the gas and petrol pipes)

٦-٥- Natural Resources office

(to observe the forest and national land areas)

٦-٦- Environmental protection provincial office

(for the environmental issues)

٦-٧- Cultural Heritage

(the historical areas or textures of the city or village)

٦-٨- Land Affairs Organization

(in order to examine agricultural lands and the land use)

٦-٩- Municipality

(in case the land is located in the city)

٦-١٠- Road and Transportation office

(in order to observe the main and subsidiary routes)

٦-١١- Water and Sewage Co.

(the form of water provision and disposal of sewage)

٦-١٢- Other organizations when necessary

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

Issuance of agreement letters **Stage six: Preparing Architectural Plans According to the Regulations of the Organization**

Following the issuance of the acceptance letter, the matter 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.

١- Preparing architecture plans

٢- Examining, approving and announcing the architectural plans

Stage seven: The Approval of Facilities and Introduction to Banks

Generally speaking, investor would apply to obtain credit and financial facilities in accordance to banking regulation without much complications.

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

١- Having bounced checks from any of the banks.

٢- Prohibition from receiving financial facilities by judicial authorities

٣- Investors having outstanding debts who havenot made reasonable efforts to repay.

ξ- Banks do not give facilities for purchasing accommodation areas etc.

ο- It is uncommon for two banks to cooperate in one project simultaneously.

ϒ- Banks do not cooperate with projects with no or little financial, technical and economical justification.

Υ- Legal government and public entities as well as municipalities cannot use facilities without obtaining permission from the central bank.

Note:

Investors are required to schedule 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 grace period and six years of installments.

The negligence of the investor to complete the project would not prevent the conversion of the project cooperation period to installment sales on behalf of the bank.

The acceptable collaterals by banks

The collaterals accepted by banks are the guarantees of returning the principal and the 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 might belong to the applicant or its partners. The property must be of good of quality, unchallenged, complete and have freehold title.

Mortgages are not provided to properties such as brownfields and agricultural lands.

2- Financial 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.

ξ- Bills of public storehouses.

ο- Commercial documents such as drafts.

It worth mentioning that the above items are accepted at the bank experts recognition and evaluation.

eight: The Examination of the Case in the Investment Bank

As soon as the investor refers to the bank and submit the letter of introduction from ICHHTO, the bank takes action to examine the case , complete the documents, and announce its decision within one month. In case of inadequacy in the documents, it shall be announced to the applicant and organizations within the mentioned period. Otherwise the project is approved and introduced to official registration offices.