

Note (4) of the Use of Specialized and Professional Services of Qualified Accountants as Certified Public Accountants Act Manual

Approved on 4 September 2000 as Amended on 29 March 2008, 18 December 2010, and 9 October 2013 by the Council of Ministers

Article 1

To exercise financial supervision over manufacturing, commercial, and service entities as well as ensuring the reliability of their financial statements in order to protect public interests, investors, and other stakeholders, natural and legal persons, as specified in this manual, shall use the specialized and professional services of practicing certified public accountants and audit firms who are members of the Iranian Association of Certified Public Accountants.

Article 2

The following legal entities are required to appoint their "**auditor and statutory examiner**" or "**auditor**," as applicable, from among audit firms that are members of the Iranian Association of Certified Public Accountants:

- (a) Companies admitted or applying for admission to the Stock Exchange Organization and their subsidiaries and affiliates.
- (b) Public Limited Companies (PLCs) and their subsidiaries and affiliates.
- (c) Companies referred to in the Article (7) 'a' and 'b' of the legal Articles of Association of the Audit Organization, with due consideration to the procedures stipulated in Note 1 of Article (132) of the Public Accounts Act.
- (d) Branches and representative offices of foreign companies that are registered in Iran under the Authority to Register Branches and Representative Offices of Foreign Companies Act-ratified in 1997.

- (e) Non-governmental public institutions, organizations and their subsidiaries and affiliate companies.
- (f) Other natural and legal persons as under, considering factors such as significance, sensitivity, and volume of their activities (amount of sales of products or services, total assets, number of personnel, and amount of capital) as well as working capacity of audit firms and certified public accountants, whose specifications or list shall be issued by the Ministry of Economic Affairs and Finance by the end of December each year:
 1. Private limited companies (pics), other companies, and for-profit non-commercial institutions.
 2. Cooperative companies and institutions and their unions.
 3. Natural persons who, according to relevant legal regulations, are required to keep statutory books of accounts.

Note 1: The persons subject to this Article may also use the services of the Audit Organization, which is the only governmental audit firm, as their "**auditor and statutory examiner**" or "**auditor**", as applicable.

Note 2: The criteria for determining subsidiaries and affiliates shall be established considering the accounting principles and standards referred to in paragraph "f" of Article (7) of the legal Articles of Association of the Audit Organization.

Note 3: By discretion and announcement of the Ministry of Economic Affairs and Finance, the services of certified public accountants may also be used for the "**auditing and statutory examination**" or "**auditing**" of the persons referred to in paragraph "f" of this Article.

Article 3

The financial statements of entities referred to in Article (2) that, as applicable, lack the "**auditing and statutory examiner report**" or "**audit report**" as required by this manual shall not be valid in any of the ministries,

governmental institutions, state-owned companies, banks and insurance companies, non-bank credit institutions, the Securities and Exchange Organization, and non-governmental public institutions and organizations, and shall not be relied upon in favor of them.

Note: The use of financing facilities provided by the ministries, institutions, organizations, agencies, and companies mentioned in this Article, which legally require submission of financial statements, by the natural and legal persons referred to in this Article is conditional, upon the submission of a report by a certified public accountant or audit firm, as appropriate.

Article 4

Certified public accountants and audit firms, shall explicitly express their opinion regarding the accounts and financial statements audited, on the following matters in the "**audit and statutory examiner report**" or "**audit report**" prepared in compliance with the Commercial Code-ratified in 1968—and according to auditing principles and standards:

- (a) Compliance with commercial, tax, and other laws and regulations related to the activities of the entity under audit.
- (b) Observance of accounting principles and standards in the preparation and presentation of financial statements and accompanying notes.
- (c) Presentation of the financial position and operating results of the entity under audit in the financial statements.

Note 1: If certified public accountants and audit firms find any violation of the regulations referred to in this Article by the board of directors and managing director during the audit, they shall disclose such matters in their report.

Note 2: The term "auditing principles and standards" refers to the principles generally accepted in the auditing profession, the standards referred to in paragraph "f" of Article (7) of the legal Articles of

Association of the Audit Organization, and the Code of Professional Conduct referred to in paragraph (3) of Article (8) of the Articles of Association of the Iranian Association of Certified Public Accountants.

Note 3: The term "accounting principles and standards" refers to the generally accepted accounting principles and the standards referred to in paragraph "f" of Article (7) of the legal Articles of Association of the Audit Organization.

Article 5

Certified public accountants , audit firms or the Audit Organization who are auditor and statutory examiner or auditor of entities referred to in Article 2 above, upon such entities' request to make examinations in accordance with Article 272 of Direct Taxation Act and/or Article 27 of Value Added Tax Act shall, in addition to the above Article 4 report, issue a separate tax audit report for them to be presented to relevant tax authorities. Such report shall be prepared in accordance with the sample report provided by the Tax Organization office and the followings contain:

- (a) Expressing an opinion on the adequacy of the books and accounting records for audit purposes in accordance with the provisions of the Direct Taxation Act and the Value Added Tax Act and related regulations in compliance with accounting principles and standards.
- (b) Determination of taxable income, taxable base for value-added tax, and the tax due for each tax period, as applicable, based on the Direct Taxation Act, the Value Added Tax Act and related regulations.
- (c) Expression of an opinion on withholding taxes that the taxpayer was obligated to deduct and pay to the Iranian National Tax Administration under the Direct Taxation Act.
- (d) Other matters that will be determined in the tax audit report sample by the Iranian National Tax Administration.

Note 1: The tax audit report regarding value-added tax shall also be in accordance with paragraph "e" of The Use of Specialized and Professional Services of Qualified Accountants as Certified Public Accountant Act-ratified in 1993—and its Note (4), as specified in the tax audit report sample prepared by the Iranian National Tax Administration.

Note 2: If in implementing paragraph "a" of this Article, certified public accountants audit firms or the Audit Organization find any deficiencies that, in their opinion, do not impair the validity of the books and it is possible to determine the actual taxable income, value-added tax base, and the tax due for each tax period, they shall disclose the deficiencies in their report and determine the taxable income, value-added tax base, and the tax due for each tax period.

If the said books and records are deemed non-reviewable or unacceptable due to non-compliance with legal requirements and related regulations, certified public accountants audit firms or the Audit Organization shall, after providing the tax audit report containing their opinion on the adequacy of the books and records for tax audit purposes, inform the relevant tax office in writing, stating the reasons. In this case, the tax office shall determine the taxable income, value-added tax base, and the tax due for each tax period in accordance with the applicable laws and regulations.

Note 3: If before or after the issuance of tax assessment notice and the tax demand notice or tax refund notice for overpaid taxes, information and documents about financial activities are found that require reviewing the taxpayer's books and records and obtaining additional explanations from the certified public accountants , audit firms or the Audit Organization, the head of the tax office shall inquire in writing from the certified public accountants , audit firms or the Audit

Organization, specifying the instances to be acted upon as follows:

- (a) Certified public accountants , audit firms or the Audit Organization shall, within one month from the date of receipt of the inquiry, review the related books and records. If the said financial activity has not been recorded in the books, they shall inform the head of the tax office in writing of the non-recording of the financial activity. In this case, the tax office shall proceed according to the received response and in compliance with the applicable laws and regulations.
- (b) If the said financial activity has been recorded in the books, certified public accountants , audit firms or the Audit Organization shall within one month from the date of receipt of the inquiry, inform the head of the tax office in writing of the recording of the inquired activities in the taxpayer's books, along with additional explanations, citing the accounting document number, and attaching copies of the accounting and supporting documents.
- (c) If the response of the certified public accountants , audit firms or the Audit Organization, considering the submitted documents and additional explanations, does not comply with the relevant laws and regulations in the opinion of the head of the tax office, the tax office shall refer the matter, along with the reasoning for non-acceptance, to the three-member panel referred to in paragraph "b" of Note (1) of Article (6) of this manual.
- (d) If certified public accountants , audit firms or the Audit Organization do not provide the necessary response to the head of the relevant tax office within one month from the date of receipt of the inquiry, the tax office shall proceed according to the applicable laws and regulations by inquiring from or referring to the taxpayer.

Note 4: Persons who assign tax auditing to certified public accountants , audit firms or the Audit Organization shall submit a copy of the contract

with the certified public accountants , audit firms or the Audit Organization together with the tax return to the relevant tax office.

Note 5: In cases where the tax file of the said taxpayers is referred to the three-member panel described in paragraph (3) of Article (97) of the Direct Taxation Act, one of the panel members shall be selected by the head of the Iranian National Tax Administration from among the certified public accountants. If selecting a certified public accountant is not possible in some parts of the country, the Tax Organisation can use other auditors referred to in paragraph (3) of Article (97) of the Direct Taxation Act in such meetings.

Article 6

The Tax Organisation shall accept the tax audit report without examination and issue the tax assessment or tax demand notice in accordance with the regulations.

Note 1: If before issuing notices for tax assessment, tax demand, or tax refund for overpaid taxes, there is a need for additional explanations from certified public accountants , audit firms or the Audit Organization regarding the submitted tax audit report related to paragraphs "b" (acceptable expenses, depreciations) and the purchase and supply of goods and services, and "c" (including value-added tax, withholding and payroll taxes) of Article (5) of this manual, as well as tax exemptions, the head of the Tax Office shall inquire in writing from the certified public accountants , audit firms or the Audit Organization, specifying the instances, which shall be handled as follows:

- (a) Certified public accountants , audit firms or the Audit Organization shall provide the additional explanations to the head of the Tax Office within one month from the date of receipt of the inquiry; otherwise or if they declare that they do not have access to the taxpayer's books and records, the Tax Office shall proceed according to the applicable regulations to audit and determine the

taxable income, withholding taxes, and determine the value-added tax base and the tax due for each tax period of the taxpayer.

- (b) If the response of the certified public accountants , audit firms or the Audit Organization, in terms of compliance with tax laws and regulations, is not deemed satisfactory by the head of the Tax Office the matter shall be referred to a panel consisting of representatives from the Tax Organisation, the CEO and the High Council of the Iranian Association of Certified Public Accountants (the Audit Organization's representative in the case of its tax audit reports), and one certified public accountant elected by the head of the Tax Organisation. The panel is quorate with the presence of the majority of its members, and the majority vote of the panel members shall be accepted by the Tax Office, the Iranian Association of Certified Public Accountants and the Audit Organization, and shall serve as the basis for resolving the related case.

The Board's reviews, as applicable, include discussions with the reporting certified public accountants , audit firms or the Audit Organization, observation and review of the tax audit documents and records related to the subject(s) inquired by the Tax Office, and requesting additional audits to be performed by the certified public accountants , audit firms or the Audit Organization and reporting the results to the Board.

Note 2: The manner of administering and convening the meetings of the Board referred to in paragraph "b" of Note (1) of this Article shall be according to a directive that will be prepared by the said Board and approved by the head of the Tax Organisation.

Note 3: The heads of Tax Offices and the certified public accountants , audit firms or the Audit Organization shall take measures to ensure that inquiries and responses are made within the specified deadlines. Correspondence between the Tax Office and the certified public accountant and vice versa shall be conducted with written notification and via registered mail.

Note 4: If the Board referred to in paragraph "b" of Note (1) of this Article, finds the certified public accountants , audit firms or the Audit Organization at fault by majority vote for non-compliance with the tax audit guidelines and other tax regulations in preparing the tax audit report, the Tax Organisation shall present the related report to the Minister of Economic Affairs and Finance and shall send the Board's opinion for consideration by the Disciplinary Boards of the Iranian Association of Certified Public Accountants or the Disciplinary Committee of the Audit Organization. The Iranian Association of Certified Public Accountants and the Audit Organization shall provide a copy of the verdicts of the Disciplinary Boards or the Disciplinary Committee to the Tax Organisation for information and present the related report to the Minister of Economic Affairs and Finance.

Article 7

Other legal and natural persons who are not subject to the provisions of Article (2) of this manual may assign the audit of their financial statements and the preparation of their tax reports to a certified public accountant or an audit firm and submit the said report, along with the tax return and financial statements, or within the deadline specified in Article (6) of this manual, to the relevant Tax Office. In this case, they shall be subject to the provisions of Articles (5) and (6) of this manual and their related notes.

Article 8

Natural and legal persons may, with the approval of the Social Security Organization (SSO), assign audit of their statutory books and preparation of the report determining the amounts subject to social security contributions to certified public accountants or audit firms referred to in this manual, and the said accountants and firms shall, observing the employers' obligations according to the laws, regulations, and directives of

the Social Security Organization, prepare the necessary audit report. In this case, the said report shall serve as the basis for calculating their social security contributions.

Note: The provisions of this Article does not preclude the Social Security Organisation from claiming for contribution calculation errors and items accordance with the Social Security and other regulations., not included in the aforementioned audit report, in within a maximum of six months after issuance of the report.

Article 9

Natural and legal persons may, with the approval of governmental agencies receiving indirect taxes, price differences of goods and services, government duties and levies, municipality levies, education and training levies, physical education levies, and other such levies, use the services of certified public accountants and audit firms to prepare special purpose audit reports for them. In this case, the said governmental agencies shall base their calculation and collection of their claims on the said special purpose audit reports.

Note: The government agencies referred to in this Article may themselves assign the special audit and related report concerning natural and legal persons to certified public accountants or audit firms. In this case, payment of audit fees shall be the responsibility of the relevant government agency based on the applicable regulations.

Article 10

All persons referred to in this manual who are authorized, according to the country's foreign exchange regulations, to transfer all or part of their income, principal capital, investment profits, royalties, installments and interest on received bank facilities and similar items in foreign currency and through the banking network to abroad, shall attach to their request a special report as applicable, from the Audit Organization, an audit firm or

a certified public accountant including expression of opinion on the conformity of the requested foreign currency amount with the supporting documents and relevant regulations.

Note 1: The provisions of this Article does not include the purchase of goods and services and obtaining facilities from abroad, where operations are carried out through letters of credit, registration orders and similar methods, and are subject to the supervision of other competent authorities.

Note 2: The Board referred to in Article (2) of the Law on Attraction and Protection of Foreign Investments-ratified in 1955-may, as applicable, use the services of the Audit Organization audit firms or certified public accountants.

Article 11

All reports of certified public accountants shall be signed and sealed by the certified public accountant, including their full name and membership number, and in the case of audit firms, be signed by at least one of the firm's partners, including their full name and membership number and bearing the firm's seal.

Article 12

In addition to the aforementioned services, natural and legal persons may also use other services of certified public accountants and audit firms as defined in Article (1) of the Articles of Association of the Iranian Association of Certified Public Accountants.

Article 13

Until the IACPA Code of Professional Conduct for Accountants referred to in paragraph (3) of Article (8) of the Articles of Association of the Iranian Association of Certified Public Accountants is approved, a report from a certified public accountant or audit firm who has been

a partner and shareholder in the capital and interests of the entity under audit, or has had commercial and for-profit transactions with the said entity, and has provided accounting and financial services to that entity, or has represented that entity in the meetings of the board of directors, shall not be valid and shall not be relied upon in favor of the said entity.

Note: If a certified public accountant or audit firm has undertaken to provide consulting services and design of financial systems to the client, they shall notify the C.E.O of the Association (before starting the audit work) and observe code of professional conduct and standards strictly and act in such a way that their professional competence and independence are not compromised.

Article 14

In cases where judicial or arbitration authorities, whether domestic or foreign, request the use of services of certified public accountants or audit firms, the Iranian Association of Certified Public Accountants shall provide them a list of certified public accountants and audit firms. The selected person shall inform the matter to the Iranian Association of Certified Public Accountants.