

AN INTRODUCTORY PRIMER TO THE

# Budget Process in Iran





In a democracy, the citizenry controls how the government spends the nation's wealth:

Through their elected representatives, the people have the right to determine how resources are allocated throughout their country. Ensuring that funds are spent wisely and fairly is also a citizen's responsibility. Whether it is through monitoring the budget's creation, advocating for a specific use of funds, or tracking how the funds are spent, citizen involvement is an important way to guard against corruption, address social and economic problems, and strengthen the relationship between officials and their constituents.

A number of the Islamic Republic of Iran's laws delineate how the government budget should be drafted and implemented. They also provide mechanisms for citizens to become involved in the budgetary process.

In outlining Iran's budgetary procedures and describing the roles that the various government offices play in

determining resource allocation, this document is designed to empower you to engage with your fellow citizens and officials to impact the way public funds are spent.

Help us keep this information up to date. Although there are often gaps in what is provided in the law and how the law is enacted, knowing how things are supposed to operate is an important starting point. If you note errors or have experiences that explain how the process unfolds in ways that are different from what is outlined here, please let us know—be

sure to reference the source of your understanding. Submit information to [info@nabz-iran.com](mailto:info@nabz-iran.com).

*Developed with support from the Global Dialogue on the Future of Iran (GDFI).*

[theglobaldialogue.ca](http://theglobaldialogue.ca)

**In outlining Iran's budgetary procedures and describing the roles that the various government offices play in determining resource allocation, this document is designed to empower you to engage with your fellow citizens and officials to impact the way public funds are spent.**



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# National Budget Creation Process

Funding for national and provincial agencies is laid out in the annual national budget. Each year, the president submits a budget proposal to the Majlis, the Iranian parliament, which modifies it and signs it into law. The total budget, which consists of the Public Budget and the State-Owned Enterprises Budget, allocates funds from the treasury to the various government-run entities. These funds come from national oil revenues, tax revenues, and other income such as the sale of state-owned enterprises.

## PUBLIC BUDGET

The Public Budget specifies funding for all government agencies. It covers the following four areas:

1. Public Affairs (includes funding for provincial governance)
2. Economic Affairs
3. Security and Defense Affairs
4. Social and Cultural Affairs

The large majority of the Public Budget comprises mandatory expenditures for categories such as government employee wages and benefits. The Majlis has little flexibility in revising the president's proposal for this portion of the budget. The remainder of the Public Budget comprises discretionary spending for items such as development projects, the funds for which are allocated to the various government agencies and institutions. This latter portion of the budget is where the Majlis and provincial governors have the most room to advocate for revisions to the president's funding proposals.

## STATE-OWNED ENTERPRISES BUDGET

The State-Owned Enterprises Budget is the largest portion of the overall budget. For instance, in the president's budget proposal for 1393 (2014-2015), it comprises 75 percent of the entire national budget. This portion of the budget provides funds for all entities over which the government has a minimum of 51 percent ownership. These include banks,

companies, and publicly-run institutes housed within all three branches of the government. Bank Melli and the National Iranian Oil Company fall into this category.

## BUDGET CREATION PROCESS

The procedures and timeline for creating Iran's budget are delineated in the Majlis Internal Regulations Law. According to the law:

- The president must submit a budget proposal to the Majlis no later than the 15<sup>th</sup> of Azar.
- Upon receiving the proposal, Majlis members have 10 days to review it and provide their recommendations to the Expert Committees, which are tasked with closely studying the proposal.
- The Expert Committees are made up of Majlis members and focus on a variety of issues ranging from health and education to defense and security. They have up to 15 days following the president's submission of the budget to provide their reports to the Compilation Committee.

### Did you know?

Historically, there has been little public oversight over the State-Owned Enterprises budget. Despite having the constitutional authority to do so, the Majlis tends not to devote much time reviewing the administration's proposals for this portion of the budget.

**Monitoring:** You can listen to all general sessions of the Majlis on Radio Farhang. You also may be able to watch the general sessions from the balcony once you have obtained a ticket from your representative's office.

To obtain a ticket, you must set up a meeting with your representative's office. At the meeting you will be asked the reason for your request. Issuing tickets is at the discretion of the representative.

**Advocacy:** Does your Majlis representative belong to one of the Expert Committees or the Budget and Planning Committee? Meeting with his or her office staff prior to the president's budget submission can increase the chances that your concerns will be in your representative's mind when he or she is assessing the budget.



FIGURE 1 – 1393 (2014-2015) BUDGET PROPOSAL

Breakdown of tax revenue allocated for the Public and State-Owned Enterprise budgets.

جدول شماره ۵-درآمدها، واگذاری دارایی های سرمایه ای و واگذاری دارایی های مالی برحسب قسمت، بخش، بند، اجزا در سال ۱۳۹۳

ارقام به میلیون ریال\*

| شماره طبقه بندی | عنوان  | عمومی       |             |             | اختصاصی     |            |             | جمع کل      |             |
|-----------------|--|-------------|-------------|-------------|-------------|------------|-------------|-------------|-------------|
|                 |  | ملی         | استانی      | جمع         | ملی         | استانی     | جمع         | ملی         | استانی      |
| ۱۰۰۰۰           | قسمت اول درآمدها   | ۴۴۰,۵۶۳,۵۸۹ | ۲۸۶,۵۶۵,۶۹۵ | ۹۲۷,۱۲۹,۲۸۴ | ۲۳۲,۶۷۷,۰۸۹ | ۵۰,۸۳۰,۰۰۰ | ۲۸۳,۵۰۷,۰۸۹ | ۶۷۴,۲۴۰,۶۷۸ | ۲۹۱,۶۴۸,۶۹۵ |
| ۱۱۰۰۰           | بخش اول: درآمدهای مالیاتی  | ۲۱۰,۲۳۲,۴۰۵ | ۴۵۰,۷۴۰,۳۹۵ | ۶۶۰,۹۷۲,۸۰۰ | ۱۰,۸۸۲,۰۳۹  | -          | ۱۰,۸۸۲,۰۳۹  | ۲۲۱,۱۱۴,۴۴۴ | ۴۵۰,۷۴۰,۳۹۵ |
| ۱۱۰۱۰           | بند اول: مالیات اشخاص حقوقی  | ۸۲,۲۷۲,۶۰۵  | ۱۵۵,۳۹۵,۲۰۵ | ۲۴۷,۶۶۸,۸۱۰ | ۱,۵۷۶,۴۴۸   | -          | ۱,۵۷۶,۴۴۸   | ۸۲,۸۵۰,۰۵۳  | ۱۵۵,۳۹۵,۲۰۵ |
| ۱۱۰۱۰۲          | مالیات علی الحساب اشخاص حقوقی دولتی - وصول ماهانه یک دوازدهم رقم                         | ۴۳,۱۷۴,۳۸۱  | -           | ۴۳,۱۷۴,۳۸۱  | -           | -          | -           | ۴۳,۱۷۴,۳۸۱  | -           |
| ۱۱۰۱۰۳          | مالیات عملکرد شرکتهای دولتی  | ۳۵,۰۰۰,۰۰۰  | -           | ۳۵,۰۰۰,۰۰۰  | -           | -          | -           | ۳۵,۰۰۰,۰۰۰  | -           |
| ۱۱۰۱۰۴          | مالیات نهادها و بنیادهای انقلاب اسلامی   | ۶۷۳,۰۸۹     | -           | ۶۷۳,۰۸۹     | ۶,۷۹۹       | -          | ۶,۷۹۹       | ۶۷۹,۸۸۸     | -           |
| ۱۱۰۱۰۵          | مالیات اشخاص حقوقی غیر دولتی   | -           | ۱۵۵,۳۹۵,۲۰۵ | ۱۵۵,۳۹۵,۲۰۵ | ۱,۵۶۹,۶۴۹   | -          | ۱,۵۶۹,۶۴۹   | ۱,۵۶۹,۶۴۹   | ۱۵۵,۳۹۵,۲۰۵ |
| ۱۱۰۱۰۸          | مالیات موضوع مواد ۲ و ۳ قانون توسعه دریایی (جمع - خرجی ۱)                                | ۳۰۰,۰۰۰     | -           | ۳۰۰,۰۰۰     | -           | -          | -           | ۳۰۰,۰۰۰     | -           |
| ۱۱۰۱۰۹          | مالیات علی الحساب شرکتهای دولتی در حال واگذاری   | ۳,۱۲۶,۱۳۵   | -           | ۳,۱۲۶,۱۳۵   | -           | -          | -           | ۳,۱۲۶,۱۳۵   | -           |
| ۱۱۰۲۰۰          | بند دوم: مالیات بر درآمدها   | ۱,۰۰۰,۰۰۰   | ۱۰۰,۳۹۳,۳۸۰ | ۱۰۱,۳۹۳,۳۸۰ | ۱۰,۱۴۰,۷۵۵  | -          | ۱۰,۱۴۰,۷۵۵  | ۲,۰۱۴,۰۷۵   | ۱۰۰,۳۹۳,۳۸۰ |
| ۱۱۰۲۰۱          | مالیات حقوق کارکنان بخش عمومی  | ۳۵,۴۷۲,۱۳۰  | ۳۵,۴۷۲,۱۳۰  | ۷۰,۹۴۴,۲۶۰  | ۳۵۸,۳۰۴     | -          | ۳۵۸,۳۰۴     | ۳۵۸,۳۰۴     | ۳۵,۴۷۲,۱۳۰  |
| ۱۱۰۲۰۲          | مالیات حقوق کارکنان بخش خصوصی  | -           | ۲۷,۸۷۰,۹۵۹  | ۲۷,۸۷۰,۹۵۹  | ۲۸۱,۵۲۵     | -          | ۲۸۱,۵۲۵     | ۲۸۱,۵۲۵     | ۲۷,۸۷۰,۹۵۹  |
| ۱۱۰۲۰۳          | مالیات مشاغل   | ۳۲,۶۱۶,۰۰۰  | ۳۲,۶۱۶,۰۰۰  | ۶۵,۲۳۲,۰۰۰  | ۳۲۹,۴۵۵     | -          | ۳۲۹,۴۵۵     | ۳۲۹,۴۵۵     | ۳۲,۶۱۶,۰۰۰  |
| ۱۱۰۲۰۴          | مالیات مستغلات   | ۴,۳۷۴,۳۹۱   | ۴,۳۷۴,۳۹۱   | ۸,۷۴۸,۷۸۲   | ۴۴,۱۸۵      | -          | ۴۴,۱۸۵      | ۴۴,۱۸۵      | ۴,۳۷۴,۳۹۱   |
| ۱۱۰۲۰۵          | مالیاتهای متفرقه برآمد   | ۶۰,۰۰۰      | ۶۰,۰۰۰      | ۱۲۰,۰۰۰     | ۶۰,۶        | -          | ۶۰,۶        | ۶۰,۶        | ۶۰,۰۰۰      |
| ۱۱۰۲۰۶          | مالیات موضوع ماده ۱۱۹ قانون برنامه پنجساله پنجم توسعه جمهوری اسلامی ایران (جمع - خرجی ۱) | ۱,۰۰۰,۰۰۰   | -           | ۱,۰۰۰,۰۰۰   | -           | -          | -           | ۱,۰۰۰,۰۰۰   | -           |
| ۱۱۰۳۰۰          | بند سوم: مالیات بر ثروت  | ۲۶,۴۷۰,۵۱۰  | ۲۶,۴۷۰,۵۱۰  | ۵۲,۹۴۱,۰۲۰  | ۲۶۷,۳۸۰     | -          | ۲۶۷,۳۸۰     | ۲۶۷,۳۸۰     | ۲۶,۴۷۰,۵۱۰  |
| ۱۱۰۳۰۱          | مالیات بر ارث  | ۳,۶۲۰,۴۱۶   | ۳,۶۲۰,۴۱۶   | ۷,۲۴۰,۸۳۲   | ۳۶,۶۷۱      | -          | ۳۶,۶۷۱      | ۳۶,۶۷۱      | ۳,۶۲۰,۴۱۶   |
| ۱۱۰۳۰۲          | مالیاتهای انتفاعی  | ۴۲,۰۰۰      | ۴۲,۰۰۰      | ۸۴,۰۰۰      | ۴۲۴         | -          | ۴۲۴         | ۴۲۴         | ۴۲,۰۰۰      |
| ۱۱۰۳۰۳          | مالیات نقل و انتقال سرقفلی   | ۴,۹۹۳,۸۴۴   | ۴,۹۹۳,۸۴۴   | ۹,۹۸۷,۶۸۸   | ۵۰,۴۴۳      | -          | ۵۰,۴۴۳      | ۵۰,۴۴۳      | ۴,۹۹۳,۸۴۴   |
| ۱۱۰۳۰۴          | مالیات نقل و انتقال سهام   | ۴,۹۱۷,۷۸۳   | ۴,۹۱۷,۷۸۳   | ۹,۸۳۵,۵۶۶   | ۴۹,۶۷۵      | -          | ۴۹,۶۷۵      | ۴۹,۶۷۵      | ۴,۹۱۷,۷۸۳   |

- The Compilation Committee is tasked with reviewing the Expert Committee reports and providing a final assessment to the Majlis general assembly. The Compilation Committee is made up of two members from each Expert Committee as well as the entire Planning and Budget Committee. During its deliberation over the budget, a representative from the administration and a representative from the Supreme Audit Court (an agency overseen by the Majlis) must be present. The Compilation Committee has up to 15 days following the Expert Committees submission deadline to provide the final report. The Compilation Committee deadline can be extended for up to an additional 15 days with the approval of the Majlis Leadership Board.

The Majlis cannot make recommendations that would increase the overall expenditures without identifying a new source of revenue.

- Once the Compilation Committee submits its report, the Majlis general assembly will debate the overall budget relative to funding allocations for the various broad categories such as defense, education, health and other sectors. It will also debate the Compilation Committee report. Only recommendations that were published by the Compilation Committee or the Expert Committees can be discussed on the floor. The Majlis cannot make recommendations that would increase the overall expenditures without identifying a new source of revenue. If two-thirds of the general assembly does not arrive at an agreement, the Compilation Committee has one opportunity to revise its report and resubmit it to the general assembly within 72 hours.

- Once the general assembly agrees on the overall budget, it will reconvene several days later to debate the allocations to specific agencies and institutions. Each allocation recommendation will be debated one-by-one and be subject to two-thirds approval of those present. Majlis members can redistribute the funds among the various categories such as education, health, and defense.

**Expenditure Tracking:** The Supreme Audit Court provides a yearly report to the Majlis detailing how all government bodies spent their budget. The court has branches in each province.

According to Article 55 of the Islamic Republic Constitution, the court's report must be made available to the public.

- Once the final language is placed in the bill, it is sent to the Guardian Council for ratification. The Guardian Council assesses the budget law based on its compliance with Islamic law and the Constitution.
- If irreconcilable differences over the budget arise between the Majlis and the Guardian Council, the matter is sent to the Expediency Council for arbitration. The Expediency Council's decision is final.
- After approval from the Guardian Council or Expediency Council, the bill is signed into law by the speaker of the Majlis and sent to the president for implementation.

A budget should be passed by the end of the month of Bahman in order to give the administration one month to prepare for its implementation at the beginning of the month of Farvardin. If the Majlis is unable to pass the full year's budget by this time or if the administration fails to submit the budget proposal by the specified deadline, the president must submit a stop-gap budget. Such a temporary budget cannot exceed three months.

### Did you know?

If deemed necessary, the administration can submit a revised budget to be considered by the Majlis. In Aban 1392 (October 2013), the Majlis voted in favor of President Hassan Rouhani's 1392 budget, which was a revision of budget prepared by previous president Mahmoud Ahmadinejad.

## PROVINCIAL FUNDING

Total funds for public services provided by the provincial governments (such as education, healthcare, infrastructure, and public safety) are allocated in the budget passed by the Majlis. Decisions over how the funds will be allocated throughout the province are made by the president's budget planners as well as the governor's office.

**Monitoring:** You can request information on provincial budget issues from your governor's Budget and Planning Office. [Click here](#) for an example of a form to request information on provincial spending from the Isfahan Provincial Budget Office.

The public funds for the provinces are divided into four categories:

- Provincial income, such as national tax revenue distributed to the provinces
- An allocation from national oil revenues (which varies by province)
- Other allocated national income
- Provincial investment fund revenues

Total funds for each state-owned enterprise are allocated in the budget at the national level. The enterprise then decides how to allocate the funds to its provincial offices.

### Did you know?

The amount of funds that your province receives is influenced in part by bargaining among the Majlis representatives, as well as the nature of the relationship between Majlis members and your provincial officials.

FIGURE 2 – 1393 BUDGET PROPOSAL

Provincial revenue and projected expenses.

جدول شماره ۱۰- تصویر کلان بودجه استانی سال ۱۳۹۳

«ارقام به میلیون ریال»

| از محل درآمد اختصاصی | پرداخت ها   |                           |            |            |                     | درآمد اختصاصی | دریافت ها      |              |           |   |                 | نام استان   | کد استان |
|----------------------|-------------|---------------------------|------------|------------|---------------------|---------------|----------------|--------------|-----------|---|-----------------|-------------|----------|
|                      | بودجه عمومی |                           |            |            |                     |               | درآمدهای عمومی |              |           |   |                 |             |          |
|                      | جمع         | تملك دارایی های سرمایه ای | هزینه      |            |                     |               | جمع            | درآمدهای ملی |           |   | درآمدهای استانی |             |          |
|                      |             |                           | جمع        | سایر       | حقوق و مزایای مستمر |               |                | جمع          | سایر      | درآمد حاصل از صادرات نفت خام و گاز طبیعی ۲٪ |                 |             |          |
| ۵۰,۸۳,۰۰۰            | ۱۰۰,۳۸۹,۹۱۶ | ۷۷,۷۹۱,۳۸۸                | ۴۴,۹۸۶,۹۱۶ | ۲۳,۱۴۸,۹۸۶ | ۲۱,۸۳۷,۹۳۰          | ۵۰,۸۳,۰۰۰     | ۱۰۰,۳۸۹,۹۱۶    | ۲۰,۷۶۷,۷۰۸   | ۱,۴۲۲,۷۰۸ | ۱۹,۳۴۵,۰۰۰                                  | ۴۸۶,۵۹۴,۹۱۳     | کل کشور     |          |
| ۱۲۹,۱۰۰              | ۳,۱۱۷,۹۰۵   | ۱,۰۸۸,۳۰۰                 | ۱,۰۲۹,۶۰۵  | ۴۹۵,۷۸۴    | ۵۳۳,۸۲۱             | ۱۲۹,۱۰۰       | ۳,۱۱۷,۹۰۵      | ۱۳۸,۹۳۲      | -         | ۱۳۸,۹۳۲                                     | ۹,۳۵۵,۶۹۸       | استان مرکزی | ۵۱       |
| ۶۳,۴۲۰               | ۳,۷۱۰,۵۴۶   | ۱,۶۶۶,۵۰۰                 | ۳,۰۴۴,۰۴۶  | ۱,۰۱۸,۰۶۸  | ۱,۰۲۵,۹۷۸           | ۶۳,۴۲۰        | ۳,۷۱۰,۵۴۶      | ۳۱۰,۸۶۷      | -         | ۳۱۰,۸۶۷                                     | ۷,۱۷۴,۷۷۶       | استان گیلان | ۵۲       |

## ALLOCATION OF FUNDS THROUGHOUT THE PROVINCE

The Provincial Planning and Development Councils are supposed to play a key role in deciding how development funds will be allocated throughout the province, within the framework laid out at the national budget. The councils are housed in each governor's Budget and Planning Office. They study recommendations provided by provincial Expert Working Groups, county planning committees, and other provincial agencies.

Each provincial council is made up of eight Expert Working Groups. Their responsibilities include:

- Adopting measures to help the province receive more government funds, and providing recommendations on how to get new sources of funding inserted into the annual budget.
- Deliberating over how to allocate provincial funds as well as income from provincial investment funds.
- Studying how to increase citizens' participation in provincial affairs.

**Advocacy:** Provincial Planning Development Councils have a mandate to increase citizen participation in provincial affairs. Contact your local office to learn how you can provide budgetary recommendations.

According to the [Law of Municipalities](#), local governments are supposed to be self-sustained public organizations independent from the central government. Although they might receive funds from the national government (allocated through the Ministry of Interior), municipalities have the responsibility to secure most of their budget through taxes and fees from citizens, businesses, factories, and other local initiatives. In reality, some municipalities are more self-sufficient than others.

Every municipality has its own budget, which must be approved by the city council. The municipal budget must take into account the five-year development plan of the central government.

There are six categories of municipal income:

1. Public taxes
2. Special taxes
3. Service fees and income from for-profit organizations
4. Financial investments.
5. Government assistance (from national funds allocated to the provinces in the national budget and then allocated to municipalities based on the discretion of provincial authorities)
6. Philanthropy from citizens and private organizations

# Municipal Budget Process

The budgetary process for municipalities is similar to the national level.

- The mayor's office is responsible for the initial budget draft. It must submit its proposal to the city council by the end of the month of Dey.
- After submitting the proposal, the mayor must preside over a minimum of three council meetings each week during the budget deliberation period to explain the various elements of the budget draft.
- The council must review and finalize the budget by the end of the year.



Citizens and members of the press watch an Aban 1392 (November 2013) Tehran City Council general session debating the 1393 municipal budget.

Each city council has a Budget and Planning Committee. Its responsibilities include studying the mayor's budget proposal as well as supervising the municipality's implementation of the budget. The mayor has the authority to increase or decrease the budget by 10 percent in each activity within a category, as long as it does not exceed the entire allocated budget for that category.

**Expenditure Tracking:** By the 15th day of every month, the mayor must submit to the city council the income and spending accounts from the previous month. The entire income of a municipality must be spent in the respective city as allocated to different neighborhoods and cannot be transferred to be spent in other cities. (Municipality Law).

## Did you know?

Every six months, the municipality must publish, and make available to the public, a complete list of all income and spending, along with a comprehensive account of all of the municipality's work (Municipality Law).

The Transparency and Freedom of Information Act requires councils to publish all information regarding legislation, budget allocations, projects, and taxes and fees for the public. Most city councils and municipal governments will publish this information on their websites. If you cannot find it on their website, contact your city council's public relations office to request the information. Councils are also required to ensure the presence of media in all public meetings.

## TRANSPARENCY AND FREEDOM OF INFORMATION ACT

The Transparency and Freedom of Information Act, which the Majlis passed in 1391, is intended to ensure that the citizenry has a means of assessing the government's performance as well as tracking its expenditures.

According to the law:

- Any Iranian citizen has the right to access information on the government's activities unless a law has prevented it from being released.
- Public institutions and private institutions that provide public services are required to provide information to the public without discrimination.
- Public institutions must respond to a request for information in no more than 10 days following receipt of the request. The response must be provided in written form.
- All public institutions must, on a yearly basis, provide the public with all unclassified information—preferably published online—regarding their activities as well as their balance sheets (agencies that are overseen by the Supreme Leader will provide public information based on his discretion).
- To the extent possible, government institutions should provide the public with information on how they can interact with the institution and the mechanisms by which they can have a part in implementing services.
- Officials who willfully withhold information from the public, in violation of the law, can be subjected to fines between 300,000 and 100 million rials.





**6)** The Compilation Committee submits its reports to the Majlis general assembly.



**7)** The Majlis general assembly debates and votes on the overall budget. If two-thirds vote in favor, the overall budget passes. If there is no agreement on the overall budget, it is sent back to the Compilation Committee, which has 72 hours to revise it before another vote in the general assembly.



**8)** Several days following acceptance of the overall budget, the Majlis general assembly votes over the specific allocation of funds.



**9)** Following a vote in favor of the specifics, the budget is sent to the Guardian Council for review. If the Guardian Council approves, the budget is sent back to the Majlis and signed into law. If the Guardian Council disapproves, the budget is sent to the Expediency Council for final arbitration.



**10)** After signing into law, the Majlis presents the budget to the president for implementation (preferably by the end of Bahman).



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