

## Customs Flash

### News you can count on



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#### U.S. Broadens Iran Sanctions

Recent changes to U.S. sanctions laws covering transactions with Iran have expanded the reach of the sanctions to foreign subsidiaries of U.S. companies. On December 26, 2012 the U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) issued these amendments to the Iranian Transactions and Sanctions Regulations (ITSR). The new section added to the ITSR prohibits certain transactions by non-U.S. entities owned or controlled by a U.S. person and established or maintained outside the United States. OFAC also added a second new ITSR section to provide a grace period for the winding down of these prohibited transactions.

The new section of the ITSR prohibits foreign entities that are owned or controlled by a United States person and established or maintained outside the United States from knowingly engaging in any transaction, directly or indirectly, with the Government of Iran or any person subject to the jurisdiction of the Government of Iran. A non-U.S. entity is "owned or controlled" by a U.S. person if the U.S. person:

- Holds a 50 percent or greater equity interest by vote or value in the entity;
- Holds a majority of seats on the board of directors of the entity; or
- Otherwise controls the actions, policies, or personnel decisions of the entity.

#### Grace Period

In the second new ITSR section the OFAC introduced a general license providing leeway to withdraw voluntarily from prohibited Iran-related business. The section retroactively authorizes all transactions ordinarily incident and necessary to the winding down of transactions prohibited from October 9, 2012, and up until March 8, 2013, provided that those ordinarily incident and necessary transactions do not involve a U.S. person or occur in the U.S. By winding down the prohibited transactions within the grace period, relating penalties can be avoided.

The new section also provides for some very specific exceptions.

#### What does it mean for you?

If your company is "owned or controlled" by a U.S. person you need to verify if your company is doing business with the Government of Iran or any person subject to the jurisdiction of the Government of Iran.

#### What to do?

If your company is owned or controlled by a U.S. person and is engaged in transactions with Iran, it is important to wind down these transactions. If your company is still doing business with the Government of Iran or any

person subject to the jurisdiction of the Government of Iran after March 8, 2013 US export controls legislation is violated which can lead to severe fines and penalties and imprisonment even if your company is not situated in the U.S. Noncompliance with export control legislation may also lead to reputational damage and business disruptions.

## Contact

Any questions concerning the items in this publication? Please contact your usual tax consultant at Deloitte or:

- Klaas Winters, [klwinters@deloitte.nl](mailto:klwinters@deloitte.nl), +31 (0)88 288 2125
- Johan Hollebeek, [jhollebeek@deloitte.nl](mailto:jhollebeek@deloitte.nl), +31 (0)88 288 1992
- Jos Sijbers, [jsijbers@deloitte.nl](mailto:jsijbers@deloitte.nl), +31 (0)88 288 1952
- Fernand Rutten, [frutten@deloitte.com](mailto:frutten@deloitte.com), + 32 2 600 66 06
- Nick Moris, [nmoris@deloitte.com](mailto:nmoris@deloitte.com), + 32 2 600 66 03
- Julien Pauwels, [jpauwels@deloitte.com](mailto:jpauwels@deloitte.com), +32 2 600 66 25
- Tom Verbrugge, [tverbrugge@deloitte.com](mailto:tverbrugge@deloitte.com), + 32 2 600 66 20

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