

Law on Commercial Contracts and Selling Goods

Chapter One

General provisions

Article 1: Basis of the Law

This law has been enacted pursuant to Article 11 of the constitution of the Islamic Republic of Afghanistan.

Article 2: Objectives:

The law has been set to achieve the following objectives:

1. Regulating Affaires of the Economic and Commercial Contracts.
2. Assuring rights and legal interests of the parties of the Contract.
3. Achieving assurance in the Economic and Commercial transactions.

Article 3: Definitions:

The following terms have been used to denote the meanings specified herein:

1. Contract: is an agreement between two natural or legal parties for creation, amendment, transfer or elimination of the right in accordance with the provisions of this law.
2. Valid contract: A contract which, in the nature, type and its qualities, is subject to special and general legal requirements and is concluded by a qualified person “competent” person and shall be free of revocation.
3. Voidable contract: is a contract which, in the nature is legal, illegal in form, and whenever, violations are removed it becomes a valid contract.
4. Void Contract: Void contract is one that is illegitimate by nature and description, and not covers basic principles of a contract.
5. Sale Contract: is transfer of ownership of the goods by seller to buyer in exchange for the payment.
6. Free Carriage Agreement “F.C.A”: is a contract in which the seller hand over goods of the transaction to the courier, whoever has been designated by the buyer. In this case, the cost of shipping, insurance and the risks poste by it shall lay down on the buyer.
7. Insured shipping contract: is a contract in which, the seller hands over the goods to the shipping agency, and pays the shipping and insurance costs to a specified place and hands over ownership of the goods and right of the insurance to the buyer.

8. Is a contract that shall be concluded between the bailer and warehouse owner against rent for the purpose of protection in the warehouse
9. Work Contract: a contract on the basis of which, one of parties undertakes to perform an action under the instruction of other party in exchange for fee.
10. Trader: A natural or legal person who performs commercial transactions permanently as occupation personally or through representative.
11. Commercial Sale: is a transaction in which both parties are traders.
12. Seller: Natural or legal person who sells commodity or service in exchange of cash, commodity or other service.
13. Buyer: is a natural or legal person who buys commodity or service in exchange of cash, commodity or other service.
14. Document: A written paper or electronic messages (Telegram, Telex, Fax, Exchange of electronic information and Electronic Mailing) which expresses intention of the parties to a Contract.
15. Promisor: is a natural or legal person who in accordance with the contents of the contract is obliged to perform a promise.
16. Promisee: is a natural or legal person who in accordance with the contents of the contract performs an act or omits to do an action which, in his favor is promised.
17. Barter: Exchanges “sells” of commodity in exchange of commodity.
18. Bailer: is natural or legal person who temporarily hands over goods for protection to warehouse person.
19. Commercial Transaction: All matters including commercial and economic nature relationships that shall take place based on contract or commercial practice between traders and investors.
20. Approved Contract: is a contract by virtue of which terms and conditions of the contract shall be determined by one of the parties to the contract and the other party decides whether to accept or reject the conditions.

Article 4: Scope of Application

- (1) The provisions of this law are applicable in the following circumstances, unless provided otherwise in the contract.
 1. Contracts which shall be concluded between Afghan citizens within the country.
 2. Contracts which shall be concluded within the Afghanistan between Afghan citizens and foreigners.
 3. Contracts which shall be concluded between foreign nationals within Afghanistan.
 4. Contracts related to immovable properties situated within Afghanistan, shall be concluded between Afghan Citizens, unless laws provide otherwise.
 5. Contracts concluded in accordance with the provisions of this.
- (2) Parties can agree to regulate their contract in accordance with the law of other country or in accordance of an applicable international covenant. In case, of arising dispute Afghan courts are obliged to settle the dispute in accordance with the law that parties

agreed upon on. Unless otherwise, concluding of such type of contracts are illegal based on the laws of the country.

(3) This law shall not be applicable in following cases:

1. Agreements related to personal Affaires.
2. Agreements related to Endowed Properties situated within Afghanistan.
3. Non-Commercial transactions and other matters which are beyond the scope of this law.

Article 5: Concluding a Contract

- (1) Validity of a contract is subject to the consent of contracting parties.
- (2) Offer and Acceptance made on coercion, fraud, misrepresentation or other types of inappropriate behavior or made against the laws of the country shall be invalid.
- (3) Parties of the contract in accordance with the provisions of this law shall have the right to conclude a contract intentionally; no natural not legal person can avoid using this right unless provided by law.

Article 6: Good faith in Contract

In order to enter into a contract, the parties are obliged to observe the principle of good faith during the negotiations for the exercise of their rights and obligations.

Article 7: Legitimacy of Contract

Parties to the contract are obliged, when concluding the contract and executing contents of the contract to complying with the provisions of this law, and other legislative documents.

Entering into a contract for the purposes of performing activities which are contrary to the provisions of the law is not permitted.

Article 8: Performing the Promise and Execution

- (1) Parties to a contract are obliged to perform the promises set forth in the contract.
- (2) Parties to a contract may not amend, rescind or suspend the contract unilaterally, unless otherwise provided by the law or contract.
- (3) Contract concluded in accordance with the provisions of the law shall be valid before courts and government entities.

Article 9: Capacity of Entering into a Contract

(1) Person who attains the majority age of (18) years shall have the capacity to conclude a contract, except his capacity is divested by order of court or limited by law; and a contract shall not be valid by a person under (18) years in those transactions which are harmful for a minor, and in probable losses and profits needs approval of his guardian.

(1) Insane, person with incomplete capacity and prodigal shall not have the capacity of concluding the contract.

(2) Guardian or legal executor of individuals with no capacity or incomplete capacity shall conclude a contract on behalf of them in accordance with the provisions of the law.

Chapter Two

Elements of the Contract

Article 10: Basic Elements and Conditions of the Contract

(1) Following elements are compulsory in concluding the contract; if contract is missing one of these elements shall not be valid:

1. Offer
2. Acceptance
3. Subject matter and purpose
4. Cause
5. Time period

(2) Parties may agree on following conditions beside the elements set forth in paragraph (1) of this Article:

1. Topic or name, nickname and place of residence of the parties;
2. Promise of the parties on implementation of the contract;
3. Quantity of Goods;
4. Quality of Goods;
5. Price or exchange;
6. Time period, Place and type of performance;
7. Promise against violation of the contract;
8. Settlement of Dispute;
9. Force majeure situations which delays time and performance of the contract.

(3) Parties to contract may invoke the entire or partial elements of the contract on the conditions of the contract or on the occupation, industry or custom, provided that the relevant terms and conditions must be specified with their particulars in possible extent.

Article 11: Offer

(1) Offer is expressing intention of one of the party to other party or parties of the contract orally or in written, it may be in past, present tenses or imperative shall be expressed in customary means and shall contain the following points.

1. Conditions shall be specified and prescribed;
2. Expresses intention of the offerer for other party based on his promise.

(2) The offer which shall be made for the acceptance shall not have legal grounds; an offer for acceptance shall include a list of rates, announcement of auction, Commercial tender and commercial shares, notifying individuals from the available prices, and putting the property against sale and only by sending a list of commodities with price and their descriptions shall not be deemed acceptance.

Article 12: Acceptance

Acceptance of the oral or written consent of the opposite party shall be in accordance with the terms and conditions stipulated in the offer in the past, present or affirmative sentence which shall be expressed by customary means, expression of oral or written consent by the offeree can be considered as concept of acceptance. Unless, its conditions shall not be to the extent which are set forth in Article (22) of this law, and shall not be similar with the conditions of the offer.

Article 13: Subject Matter and objective

(1) Subject Matter and objective of a Contract shall be the following grounds:

1. Movable or immovable goods, material or intellectual property;
2. Profits gained from goods; and
3. All other things which shall not be contrary to the provisions of the law, Public order and morals.

(2) Subject Matter of Contract shall be feasible, explicit, determined and legal.

(2) Transactions which shall be performed in future may be subject matter of the contract, Provided that it is expressly stated in the contract and shall not be subject to any ambiguity.

Article 14: Cause

Cause is the main purpose of the contract which shall be present, valid and legitimate and shall not be repugnant to public order and morals.

Article 15: Conducting Contract on the basis of Offer and Acceptance

- (1) Contract shall be concluded when one of the parties accepts effective offer of another party on time, and present it in circumstances to be witnessed of that the offer and acceptance has expressed consent of both or many parties in a manner that each one shall have such a legal authority to determine the validity of their agreement on the subject matter of the contract and the validity of their agreement on both parties which they are obliged on performing of them against each other are committed.
- (2) Contracts shall be concluded based on oral communication or written documents exchange, which expresses consent of the parties on basic elements of the contract, or based on post conduct of the parties of the transaction which the circumstances don't allow any doubt and uncertainty on which parties are dependent upon that.
- (3) If implemented legislative documents order that contracts related to specific matters shall be in written form, in this case, any agreement related to these matters shall not be applicable, unless concluded in written form.

Article 16: Capacity of Offer performance, Cancellation or denial

- (1) Offer shall be accomplished of performance when the offeree receives that or receives information from its contents.
- (2) Offer shall be cancelled when the offeree receives notice of cancellation before receiving the offer or in time of receiving the offer.
- (3) Any offer which shall be performed in any other way shall be denied when notice of denial is received to the offeror before acceptance of the offeree if the offer contains an express time limitation or a specified time for acceptance, or the offer indicates in any other way that it shall not be denied for a time period, in this case the offer shall not be cancelled till the end of the times mentioned above.

Article 17: Effects of the cancellation and Denial

- (1) If offer has been denied in accordance with the provision of paragraph (2) of Article 16 of this law, that offer shall be void and has no effect, and any type of acceptance related to that shall not have effect.
- (2) If offeree accepts with good faith the offer which has not been denied as per the provision of Paragraph (3) of Article 16 of this law, in this case, it shall be deemed that the offeree has been accepted the offer.

Article 18: Abandoning of the Offer

The offer shall be abandoned in following Circumstances:

1. Receiving denial by the offeror;
2. Cancellation of the offer by the offeror;
3. Denial of the offer by the offeror in accordance with the provision of paragraph (3) of Article 16 of this law.
4. Not sending the acceptance by the offeree within the time period specified for the acceptance.
5. Making basic changes in conditions of the offer by the offeree.

Article 19: On time Acceptance

- (1) Acceptance shall be deemed on time which shall be sent to the offeror within the specified time. If time for acceptance has not been designated the acceptance for the purpose to be on time shall be sent to the offeror in the following manner:
 1. If the offer has been made orally, the acceptance shall be instantly, unless the parties agreed otherwise.
 2. If the offer has not been made in oral, the acceptance shall be sent to the offeror within an appropriate time.
- (2) If the offeree accepts the offer after designated time for acceptance, such acceptance shall be deemed as new offer, the offeror shall notify the offeree from the effect of such acceptance immediately, or may perform an act which proves existence of the contract.

Article 20: Withdrawal from the Acceptance

Withdrawal from acceptance shall only take place in following Circumstances:

1. In case, when withdrawal notice shall be sent to the offeror before the notice of acceptance or at the same time.
2. In circumstances set forth in Article (22) or Article (40) of this law.

Article 21: Acceptance along with Changes

- (1) Expressing consent from the offeree orally or in written form on accepting the offer which contains conditions and changes nature of the offer shall not be deemed acceptance, it shall be deemed a new offer. Change in the subject matter, quantity, quality, price, rent, time, place, type of performance, reasons of rejection, obligations

regarding breach of contract and change in the settlement of dispute are deemed from fundamental changes in conditions of the contract.

- (2) Accepting of offer which contains condition and these conditions are not accompanied with those mentioned in the offer and don't change nature of the offer, expressing consent from the offeree orally or in written shall be deemed as accepted, in this case, conditions and contingencies mentioned in the acceptance shall be implemented as conditions of the contract and the offeror not criticize in these conditions within (15) working days or the offer expressly indicates that any sort of changes of its conditions in acceptance shall not be considered.

Article 22: Option (Khyaar) Meeting

In circumstances, where parties to contract are physically present or are in touch through electronic equipment (telephone or video conference) at the same time, each one from the parties can freely withdraw the offer or acceptance which take place in such kind physical presence or in touch at the same time, or avoid performance of the contract which shall be implemented by this type of meeting, subject to a condition that the party acquiring withdrawal or avoidance shall expressly promulgate its intention before separating the parties from each other, or end of telephone communication, video conference or other meeting communications at the same time.

Article 23: Particular principles for writing (Drafting) Documents

- (1) Offers or acceptances which shall be made through electronic equipment (Telegram, Telex, Fax, Electronic posts for electronic transactions and alike) shall not be effective performed still it has been signed by the sender of the message, the party which makes citation on this message shall prove that this message has been sent by the sender on his consent, validity of the signatures in electronic messages shall be regulated by Rules of Procedures.
- (2) Writings, Signatures or other documents which expresses consent of the parties are correct and valid, unless the party which does not accept its validity, they shall provide forgery's accurate documents or other activities against the law, every signature after ascertaining identity of the signatory attested by the permanent documents responsible person within or outside Afghanistan shall be valid, unless its validity has been obtained by fraud.
- (3) If parties concluded a contract in writing, contract shall be concluded after expressing consent of the parties on condition and contingencies of the contract, when a party signs a contract it shall be deemed that they accepted contents of the Contract, Unless don't have capacity of consent, consent of the parties on contents of the contract shall be implied from their previous relations, however, the relevant party may not signed the contract.

Chapter Three

Validity and Effect of Contracts

Article 24: Circumstances of the Contract

Contracts have following Circumstances:

1. Valid Contract
2. Voidable Contract
3. Void contract

Article 25: valid contract

- (1) Valid contract has the value of law between the parties and parties are obliged to consider it.
- (2) A Contract on which there is no grounds of cancellation or revocation it shall be correct and shall be deemed a valid contract.

Article 26: Voidable Contracts:

(1) Voidable contract shall have legal effect, although interested individuals can claim its revocation such type of revocation claim is for the purpose of defense of the performance of contract, and the party who has profited from the contract cannot subsequently refuse to accept the obligations specified in the contract by claiming that the contract was revocable.

(2) Voidable contract is:

1. A contract in which the consent of one of the parties is held in accordance with the provisions of Articles (28) and (29) of this law by Coercion, fraud or misrepresentation.
2. A contract in which one of the parties is of limited authority as per the provisions of Article (32) of this law.
3. A contract concluded by a representative who, in accordance with the provisions of article (33) of this law, is not authorized to perform representation transaction on behalf of him.

Article 27: void contract

(1) Void contract shall not be applicable and not have legal effect and shall not be modified by consent.

Every interested person can claim revocation of the contract and court is obliged to consider his application.

(2) Following contracts shall be deemed voidable:

1. A contract of slavery, human trafficking, smuggling of drugs, ancient antiquities and weapons.
2. A contract of gambling, or a contract of paying gambling debts.
3. A contract subject matter of which shall be repugnant to Islamic injunctions, public order and moralities.
4. The contract repugnant to the enforced legislative documents of the country.
5. A contract in which one of the parties not attained the age of (18) years, or insane, incomplete capacity and prodigal and not represented by legal guardian and executer, minor and circumstances before issuance of restriction of dealing with his property order within the limitation of provisions of this law shall be an exception.
6. The contract subject matter of which is in time of concluding the contract is impossible.
7. A contract which does not ensure the legal interests of the parties of the transaction.

Article 28: Coercion

(1) Coercion: Coercion constitutes forcing a person, without the right, for concluding the contract, himself, property or his status by applying a danger, or serious threat and actual or absolute danger to his status through threat or to his parents, children, husband or wife, brother and sister for the purpose of harming, subject to a condition that the person threatened has believe on the basis of reasonable and logical reasons during threatening on the following circumstances:

1. The threatening person shall be able on threatening and its execution.
2. If the threatened person did not enter into a contract that was forced to make that, threat shall be executed on him.

- (1) Ascertaining of the particular circumstances of coercion (age, year, weakness, social status, position of the parties involved in the case, the amount of loss incurred, and other factors which may be effective in seriousness of the coercion) shall be considered.
- (2) Offer and acceptance which is made by coercion shall not be valid, and the contract shall not be applicable in the part of person, who has been affected by such coercion, unless, the other party approves the contract expressly or customarily after removal of the coercion.

Article 29: Fraud or Misrepresentation

- (1) Use of falsehood or expressing such a deceit or deceitful statements and actions which the other party on the basis of these enters into a contract.
- (2) The intentional silence on the nature and effective conditions of the contract considering provision of paragraph (3) of Article (31) of this law shall only be deemed a fraud if the silencer is legally bound to inform the other party of this fact, and it remains to be proved that the person who thereby Fooled was aware of the fact or circumstances shall not enter into a contract.
- (3) The existence of fraud shall invalidate the consent of the party who sustained the damage, and the contract that has been made on the basis of such consent shall not be applicable to the party who has suffered the fraudulent action, unless the party after disclosure of the fraudulent circumstances and grounds in the contract explicitly or customarily affirms the contract.

Article 30: Excessive fraud

- (1) Excessive fraud is a transaction in which, there is such a difference between the real price of the goods and the sale price that a normal person who knows situation of the relevant market cannot consider that reasonable.
- (2) A contract that has been concluded by excessive fraud shall be canceled by the will of the injured party.

Article 31: Standard Conditions

- (1) Standard conditions are those written terms and conditions which are, used in the same nature transactions from the very beginning between the parties for getting advantages of them, and usually they shall not be discussed between the parties while entering into a contract of the same nature.

(2) If a contract has been concluded on the basis of standard terms and conditions, the party which presents these conditions shall keep in mind the principle of justice and equality while determining rights and obligations of the parties, and shall attract attention of other party to those terms and conditions through which his responsibilities shall be removed or be limited, and shall express such type of conditions on request of the other party.

(3) Expressing standard conditions to other party from their presenter shall not be deemed in nature a fraud, and shall not be liable of revocation, unless proves a fraudulent act of him.

Article 32: Effects of the Contract of incomplete capacity individuals

(1) A contract concluded by an incomplete capacity individual in transactions with probability of loss and profit, shall only be valid after approval of his guardian or legal executer.

(2) If a guardian or legal executer not expressed their decision on approval of the contract within a month or within a time parties agreed upon, the contract shall be deemed invalid.

(3) A contract which shall be concluded between an incomplete capacity individual, guardian or legal executer shall be compulsorily approved by the court, an agreement between the minor, his guardian or legal executer may not be approved by the court in case, the minor approves the agreement after attaining legal age.

Article 33: Effects of Contract by unauthorized representative

A contract which shall be concluded by an unauthorized representative on behalf of his principle shall be deemed voidable by the principle.

Article 34: Effect of Mistake in the Contract

(1) A mistake in calculation and in writing shall not affect the contract and is subject of correction.

(2) If a mistake has been made in nature, or in one of the conditions on the basis of which contract has been concluded or in the subject matter of the contract in these cases, parties shall enter into an agreement for removal of the mistake, amend or change the contract, in case of non-existence the agreement each one of the parties can request the court to correct mistake of the contract or they may revoke the contract, The court may, issue an order of the payment of compensation by the claimant to the opposite party in order to compensate for the expenses incurred in executing or performance of the contract.

Article 35: Capacity of Separating the Conditions

(1) If part of the contract has been voided, such voidance shall not affect validity of other parts of the contract, unless voided part is being from the basic elements of the contract, or parties agree against that.

(2) Following conditions shall not be valid in contract, and shall not affect validity of remaining correct parts of the contract.

1. A condition that implies withdrawal of the obligation of one party in subsequent actions that causes physical harm to the other party.

2. A condition which implies the withdrawal from the obligation of one party in negligence and which unwarranted negligence causes damage to the property of other party.

3. A condition that requires double payment (more than legal limit) of the profit.

4. A condition that requires the payment of profit from one person to another.

Article 36: Contract with unfair conditions

(1) If a claim takes place in court that contract or conditions inserted in it is unfair, the court shall provide to parties of the contract an appropriate time period to provide proofs in regard of commercial purposes and validity to the court for issuing a decree.

(2) If court found that contract or one of the conditions are unfair it may suspend execution of the contract, or issue order of implementation on remaining part of the contract which is free of unfair condition, or may restrict implementation of unfair conditions in a manner which shall prevent from the unreasonable consequences.

Chapter Four

Formal phases, Conditions and Rights

Article 37: Completion of formal steps

If a contract is required in accordance with the law or custom to be processed like approval of the government, document management system and verification or registration, the fulfillment of above mentioned procedures is a condition which shall be performed within a specified time, contract shall be applicable between the parties and this contract shall regulate any dispute between the parties regarding their consent and non-consent on conditions.

Article 38: Precedent and Subsequent Conditions

The parties may agree that the effectiveness of the contract shall be subject to certain circumstances or conditions of law, a contract which is subject to precedent condition shall be enforced at the moment; a contract which is subject to subsequent condition shall be void if fails to be fulfilled, whenever one of the parties with bad intention makes a condition not to be fulfilled, the court shall deem such condition as fulfilled.

Article 39: Right of option and Rescission

- (1) Options which Delay Execution of the Contract:
 1. Right of Condition (Rejection or confirmation), in accordance with the provision of Article (40) of this law.
 2. Right of Sight, in accordance with the provision of Article (98) of this law.
 3. Right of Determination, in accordance with the provision of Article (101) of this law.
 4. Right of Defect, in accordance with the provision of Article (100) of this law.
- (2) Each one of the parties can rescind the contract in of the Circumstances set forth in paragraph (1) of this law.

Article 40: Right of Rejection or Confirmation “Right of Condition”:

- (1) The parties may agree that one or both parties have the right to reject or approve the contract within the time limit specified therein, if such time is not determined in the contract in this case, the time period shall be the one which is in common and customary alike transactions, if common time period not exists in this case, this right shall be void and ineffective.
- (2) The party entitled to the right set forth in paragraph (1) of this law, shall approve or reject the contract at any time within the time period specified, if the party approves the contract the validity of contract shall be enforced from the time it was concluded and shall be executed, if the contract has been rejected and informs the other party of its decision within the time period specified in the contract, the said contract is deemed to be null and void.
- (3) If parties to contract have right of its refusal and approval, in this case the contract shall be revoked by the decision of any party, if one of the parties to contract approves the contract, right of refusal of the other party shall be preserved till the end of time period specified in the contract.
- (4) If a time period expires without the approval or refusal of the parties, in this case the said agreement shall be deemed accepted, and the right to confirm or refuse in the event of the death of one of the parties that has this right shall be deprived, unless agreed otherwise.

- (5) The right to approve or reject orally or by act, explicit or implied, which implies the intention of rejection or confirmation shall be incurred.

Article 41: Termination of Contract:

If contract is void or voidable, the parties can terminate this by giving notice to the other party within 30 days, this time period shall be started from the date and shall be valid when the other party becomes aware of the causes of termination and may receive notice from that, in case the act or expression of one of the parties after receiving notice of the termination causes expressing his obedience in the contract, in this case it shall be deemed that the party's right of termination the contract has lost.

Article 42: Effects of Revocation and Termination

Void or terminated contract shall not be executed from the very beginning legally; the court shall issue order to return parties to the situation it was before the contract, unless the law stipulates otherwise or parties agreed on other grounds, the parties shall recover non-fungible goods which they received on the basis of contract, if the same recovery or return is not possible or not necessary, the compensation shall be made in cash and on the basis of fair value or price of goods in the market, If reasons of termination arise from the mistake of one or both parties, the responsible party is obliged to pay compensation to other party.

Article 43: Independency in Resolving the Dispute

Revocation, voidance and termination of contract shall not affect the validity of the provision regarding settlement of the dispute which independently exists in the contract.

Chapter Five

Execution of the Contracts

Article 44: Performance of the Promise with Good Faith

Parties to the contract shall perform their promises determined in the contract, these promises shall not be limited to those promises mentioned in the contract, and it also covers those matters of existing law, custom and practice to which the purpose and nature of good faith contract is related.

Article 45: Performance of reciprocal obligations simultaneously

If parties are obliged of performance of the promise against each other, but contract does not specify the manner of performance, in this case they perform the promise simultaneously, if one of the parties does not perform the promise which he is obliged to perform so or performs in a manner which doesn't comply as in the contract, in this case the other party may refuse to perform the promise.

Article 46: Performance of the Promise Consecutively

If parties are oblige of performing the promise against each other and contract specifies series and order of performing the promise; in this case the party which is obliged to perform his obligation first fails to do so or performs in a way which not complies with the promises inserted in the contract, in this case the party which is obliged to perform his obligation secondly may refuse to perform that.

Article 47: Suspension in Performance of the Promise

If it is proved that one of the parties of the contract may not perform its promises in a manner included in the contract or expresses his explicit Inclination on violation of its promises, the other party may stop performance of its promises and shall acquire from the other party guaranties for performance of the promises, in case the first party fails to provide guaranties the second party may terminate the contract and claim compensation for the damage/loss incurred due to violation of the promises, if the first party provides guaranties for performance of its promises, in this situation the second party shall start performing its promises which are on the basis of contract becomes under his performance, if one of the parties suspends performance of its promises unreasonably, in this case the party shall be responsible for violation of the promises.

Article 48: Time-lapsed Promise Rejection Right

- (1) If contract requires that promisor must perform his promise within a specified time, Promisee shall reject the performance of the promise by promisor which is not fulfilled within the specified time in accordance with the provisions of this Article and shall criticize on that, unless agreed otherwise.
- (2) If promisee performs his promise prior the time period specified in the contract and this prior performance not effects interest of the promisee, in this case promisee is obliged to accept such performance subject to a condition that promisor shall be paid with expenses that he obtained from early performance of the promisee .
- (3) In case, the promisor performs his promise after the time period mentioned in the contract the promisee may reject such late performance, in all circumstances promisor

is obliged to pay compensation of the damage/loss incurred to the promisee of such time-lapsed performance.

Article 49: Part Promise Performance Rejection Right

Promisee may reject part promise performance by promisor, unless such part promise performance shall not effect interest of the promisee, promisor is obliged to pay expenses of the promisee incurred to him due to part promise performance.

Article 50: Right of Compensation

- (1) Each one of the parties may compensate its obligation against other party considering following circumstances, despite these types of promises may be from the same transaction or other transaction, or are created by provisions of the law.
 1. The parties in compensation transaction have the responsibility to mutually fulfill their promises against each other.
 2. The price of each promise of mutual promises shall be fixed so that the amount of compensation shall be calculated with certainty.
 3. The party which exercises the right of compensation shall notify the other party.
- (2) If the parties are obligated to fulfill a promise against each other to the extent that the promise to enter into force and the subject matter of the promises are different in nature and quality, the parties may, by mutual agreement shall execute the right of compensation.

Article 51: Effects of Change of Name in Future Transaction

Parties shall not avoid execution of the promises mentioned in the contract after its enforcement, in case of changing name of the parties, legal representative, responsible person or the person who has responsibility of the contract development, unless provided otherwise in the contract.

Article 52: Rights of Interested Third Parties

Parties may include in contract such a condition which ensures rights of third person who is not party to the contract, this type of condition shall grant a right to third person for execution of the right mentioned in the contract against promisor, the promisor may depend on any type of defense against third person which creates from the contract, unless agreed otherwise.

Article 53: Commitments of Third Party

In contract, no promise shall be imposed on third person who is not party to the contract, if obligation of third person on performing the promise is deemed in the contract against the promisee, and third person fails to perform the promise or performs in a manner which not complies with the conditions of the contract, in this case promisee has the right of returning to the promisor in the part of non-fulfillment of the promise, but does not have direct right of claim against third party, Unless, third party expresses its consent to third person on performing such promise.

Article 54: Heirs “Successors”

Promises and privileges mentioned in the contract shall be applicable on parties to contract and their relevant heirs, unless agreed otherwise in the contract.

Article 55: force majeure Circumstances “Exceptional Cases”

If such a public nature force majeure circumstances take place which are out of control of the promisor and with taking the necessary efforts it is impossible to prevent and avoid them and it is impossible to achieve the promise of the contract or make the promisor to face a high risk of harm. in the result of which it becomes impossible for the promisor to perform the promise inserted in the contract or causes heavy loss to him, promisor may suspend performance of the promise till end of these force majeure circumstances, unless provided otherwise in the contract, if such type of force majeure situations continues for more than (30) days, in this case each one of the parties may ask from the court following circumstances:

1. Termination of the contract
2. Amendment of the Contract in a suitable limit for the purpose of reducing unfair promise.

Chapter Six

Principles of Contract Interpretation

Article 56: Purpose of Interpretation

The basic purpose of contract interpretation is to give validity and effectiveness to **things** that the parties mutually agreed upon their execution in the contract.

Article 57: Full Principles of Interpretation

- (1) If words and phrases of the contract are explicit, there shall be no need of knowing intention of the parties.
- (2) The words are usually interpreted in the real sense of the term, and as long as the true or real meaning is possible, reference to **virtual** meaning shall not be invoked unless the explicit expression is impossible.
- (3) To the meaning of words shall not be given a credit against explicit words.
- (4) In the words, instead of being ignored, the order of the effect must be given, but if it is impossible to give order to words, then it shall be ignored.
- (5) Pointing out to a non-separable Article or paragraph, shall be considered pointing to whole article or paragraph.
- (6) The Article without condition and constrain shall be interpreted unconditionally and unconstraint, but if such literary or linguistic documents exists which that restrict it.
- (7) The description and interpretation of what is being existed shall be fruitless, but a description of something that does not exist is necessary.
- (8) In the absence of the contradictory statement in the contract, the customary practice shall have the status of explicit terms and conditions between the traders.

Article 58: Vague “ambiguous” statement

- (1) If contract is a vague and has limited scope for its interpretation, Mutual intentions of the parties shall be searched beyond the verbal meaning of the words and, in order to do so, shall be relied on the nature and trust of the transaction, which exists according to the common practice of such transactions between the parties.
- (2) In written contract about any type of ambiguity the decision shall be made against the person who prepared draft of the contract.
- (3) Except as provided in paragraph (2) of this Article, any doubt and ambiguity shall be decided in favor of the promisor.
- (4) The ambiguous terms in the approved contract shall not be interpreted in a manner that may harm interests to agreed party.

Article 59: Unspecified Conditions

If a condition, such as quality, price, and remuneration or execution place not specified and ascertained in the contract. In this case, provided that the parties do not agree otherwise and are not explicitly stated contrary intention in the text of the contract, this type of condition shall be determined in accordance with the prior relations between the parties, if undetermined condition not determined in a manner aforementioned or as mentioned in Article (60) of this law the contract shall be deemed to be invalid unless, specified otherwise in this law.

Article 60: Default Rules

If any of conditions related to the contract is not specified and not determined in accordance with the provisions of Article (59) of this law, in this case, the condition shall be determined as following:

1. If quality has been set as a condition but a sample and standard has not been determined. In this case, fulfillment of the promise shall be in accordance with the standard of occupation and industry. In case, the standard of occupation and industry does not exist, shall be determined in accordance of the customary standard or any other specified standard that matches with the purpose of the contract.
 2. If price or remuneration is not clearly ascertained, the performance of the promise shall be at the price of the market at the place of performance at the price that was valid during concluding the contract.
 3. If the performance place is not clearly ascertained, in the case if promise is cash payment, the performance of the promise shall be made at the place where the **acquirer** is located, if promise is regarding immovable property, in this case the promise shall be fulfilled at the place where the property is located and in case, performance is regarding any other matter, performance of the promise shall be at a local place where the promisor is there.
1. If the promise performance time period is not explicitly ascertained, promisor can perform the promise at any appropriate time and promisee may ask for performing the promise an appropriate time, subject to a condition that necessary opportunity shall be given to the promisor for preparation.
 2. If the promise performance manner has not specified, the promisor shall fulfill to carry his duty in an appropriate manner which helps with the purpose of the contract.
 3. If the party responsible for the costs of performance of the promise, but not clearly ascertained in contract the promisor shall bear his own costs.

Article 60: Contracts in Different Languages

If a contract is made up of two or more languages, and it is noted that all copies have the same validity, in this case it shall be deemed that words and sentences of each of the manuscripts have the same meaning and concept, If any contradiction appears with the terms or sentences the original language of drafted contract and the relevant documents shall be examined for resolving the ambiguity.

Chapter Seven

Legal Modification and transfer of Contracts

Article 62: Modification

(1) Contract shall be modified on mutual agreement of the parties, unless, specified otherwise in law and in regulations.

(2) If parties not agreed on required modification, in this case the contract shall be deemed unmodified.

Article 63: Transfer of Rights

Each one of the parties may transfer its rights entirely or partially to a third party as following, unless such transfer is prohibited.

1. Depending on the nature of the Contract
2. In accordance with the terms and conditions of the agreement or on the basis of another agreement between the parties.

Article 64: Notifying Obligation at the Time of Transferring the Rights

If the promisee transfers his rights, he shall notify the promisor from the issue, promisor till the time of receiving the notification shall not have any obligation in the issue of transfer, and he may terminate the transfer after giving the transfer notification without the consent of the transferor.

Article 65: Promisor's Defense Right

The promisor may defend himself against the transferor in respect of his transfer.

Article 66: Transferring of promise and exit

The full or part transfer and exit of promises, including the contract by one of the parties to the other party, in this case, consent of the promisee is required and shall comply with the laws and regulations applicable in such a case.

Article 67: Access to Defense

The transferee promisor may have the same defenses against promisee which the first promisor had.

Article 68: Effect of the joining and separation of the parties to a Contract

(1) If one of the contracting parties will create a union after concluding of the contract, a legal person or organization which, created as a result of this joining existence, will take on the rights and obligations of the contract, and this joining shall not effect provisions of Articles from (62 to 67) of this law.

(2) If one of the contracting parties will create a separation after concluding of the contract, a legal person which, created as a result of this division jointly or in individual form, and will take the rights and obligations of the contract without affecting the provisions of Articles from (62 to 67). Unless, the promisor and promisee agreed otherwise.

Chapter Eight

Time Period of Contract and its Termination

Article 69: Time Period of Contract

Parties may determine time period for execution of the contract, a contract referred to a starting time period shall be implemented from that date, a contract which shall be terminated on a specific time shall be terminated on determined time and may be extended to unknown time period subject to a condition that previous relations of the parties expresses continuation of the contract and their mutual consent on continuation and their commitment to the contract.

Article 70: Contract Termination Circumstances

(1) Contract shall be terminated in following circumstance:

1. By expiration of its time, unless renewed by the parties.
2. on mutual agreement of the parties at any time.
3. In Circumstances set forth in Article (71) of this law.
4. On the basis of conditions and situations mentioned in the contract by one of the parties.
5. On the order of the court or by a commercial arbitration award.

(2) The termination of the contract does not require any breach of the rights and obligations of the parties, but the rights and obligations prior to the termination of the contract continue and to form the basis for the claims for compensation between the parties. Unless, agreed otherwise.

(3) Conditions regarding dispute resolution, accounts clearance, winding up and any other type of promises mentioned in the contract which from the view of nature may be fulfilled after termination of the contract shall be continued. Unless, parties agreed otherwise.

Article 71: Ending of the Promises and their Effects

(1) Promises and Rights mentioned in contract shall come to an end in one of the following Circumstances:

1. Fulfilling the promises in accordance with the provisions of the contract.
2. Agreement of the parties for the execution of remaining promises.
3. Assignment of rights of the promisee and promises of the promisor to one of the parties.
4. Other circumstances on agreement of the parties or in accordance with the provisions of law.

(2) Parties shall be free of responsibility against each other in situations inserted in paragraph (1) of this law, unless good faith, custom and practices or mutual agreement of the parties requires that.

Article 72: Termination on the basis of Contract Conditions

Parties may propose conditions in a contract on the basis of which they shall have right of termination, in this case the party who has termination right may terminate the contract by giving a notice to the other party, unless agreed otherwise, such type of termination shall not restrict right of the parties from the claim of damage/loss incurred due to breach of contract or any other act.

Article 73: Implied Conditions of Termination Right

Following conditions shall be determined in all contracts impliedly, unless parties expressly ignored them.

1. If one of the party shall not be able to fulfill its basic promises within its due date, and such an inability to continue after demand for the performance of the promise and for the availability of the appropriate time period during which it should resolve this inability, in this case the other party may terminate the contract.
2. If one of the parties expresses its intention explicitly not to fulfill those fundamental promises which shall be performed as mentioned in contract, the other party may terminate the contract.

Article 74: Falling of Termination Right

If time period of termination has been determined by the law or by the parties, this right shall be fallen at the end of specified time. Unless, agreed otherwise.

Chapter Nine

Breach of Contract

Article 75: General Principles

If one of the parties may not fulfilled its promises in accordance with the conditions of the contract, or fulfills in a manner which shall be in contradiction with the conditions of the contract. In this case, the party shall be considered **violation** of the contract and other party shall be entitled to compensate for the damage/ loss incurred of such breach.

Article 76: compensation of losses

(1) The purpose of compensating the damage/losses in circumstances of breach of contract is to pay profit of the contract of the relevant transaction to the party who has been affected by such breach.

(2) if damage/losses may not calculated with sufficient precision, or provide by any other way further profits to the violator party of his transaction (in case, if the contract does not have the proper condition of loss) the party may be entitled to compensation for breach of contract to return the parties to the situation as they were prior the conclusion of the contract.

(3) The court shall determine the amount of the damage/loss on the basis of the nature of the contract and from the type of violation. Unless provide otherwise in this law.

Article 77: Damage/losses caused by non-payment of the price

If one of the parties may not pay price of the commodities or services entirely or partially on specified time, compensation shall be made in cash as following:

1. Non- paid part of the price.
2. Additional amount which shall compensate the loss happened to the claimant by nonpayment of the money in specified time.

Article 78: Performance of the Same Promise

If one of the parties may not fulfill a promise (other than promise of payment the money) the court shall order on execution of the same promise, following circumstances are exception from this provision:

1. in case, execution of the promise may be impossible legally and practically.
2. In case, the subject matter of the promise may not require the performing of the same promise or its performance expenses may be unreasonably high.

Article 79: Calculation of losses/damage

(1). the amount of damage/losses to be paid to one of the parties from the breach of contract shall be as follows:

1. All that profits which the party that not breached the contract may gain in case of nonexistence of the breach of the contract.

2. Lost profits to limits which may not be determined illegally and have a direct link with breach of the contract.

3. Other calculable losses incurred as a result of breach of the contract and reasonably foreseeable at the time of concluding the contract.

(2) The parties may not receive a damage/losses certificate that receives a payment which exceeds the amount of the transaction's profit or **results in unfair disadvantages**.

Article 80: Discount in Damage/Losses

(1) The parties to a contract are obliged to act in good faith in order to effectively reduce the intrinsic amount of damage/losses; these efforts include measures to prevent further damage/loss.

(2) If one of the parties is unable to take necessary precautionary measures suffers additional damage/loss, in this case the party is not entitled to additional losses compensation, any type of reasonable expenses which shall be made by the other party to reduce the damage/losses the party who breached the contract shall be obliged to compensate it.

Article 81: Damage/losses specified in the contract

(1) In those cases where the measurement of actual damage/losses is likely to be impossible, the parties to the contract may determine from the beginning the amount of damage/losses which shall be payable in case of breach of the contract or may agree on a manner to measure the damage/losses caused as a result of a breach of contract.

(2) If the contract specifies condition of the compensation of the losses, but the amount is not specified and the amount of money to be paid is reasonable or expected, or expected loss or damage caused by the violation. The damages to be paid in respect of such breach, as the case may be, shall be the amount which is calculated in the contract or in accordance with the method agreed in the contract.

(3) If court determines that the amount of money to be paid in accordance with the stipulated condition of the damage/loss is unreasonably exceeded by the size of the damage or loss expected from the violation of the contract, that Article or condition shall be left valid, but the court may, as a matter of course, to the extent that they meet the reasonable expectations of the parties they had at the time of the contract may change the amount.

Article 82: Damage/losses caused by delay in the Performance of the Promise

Parties to the contract may have a prior agreement about the capacity of payment for the cash losses incurred as a result of the delay in the performance of the promise; payment of the damage made by the violator party of the contract shall not result in the excuse of the performance of its promises which are in accordance with the requirements of the contract.

Article 83: **trust..**

(1) The parties may agree regarding depositing **trusted money** as a guarantee of promise performance, after performance of the promise trusted money shall be calculated against price or may be returned to the promisor, unless the incurred damage is less than a guarantee.

(2) If a party that has deposited the trusted money as guarantee then, not able to fulfill the promises of the contract shall not be entitled to refund the trusted money.

(3) If the party which receives the trusted money, Fails to fulfill its promises under the contract it shall return the trusted money to other party.

Article 84: Violation Caused by Act of Third Person

If a third party that is not itself a party to the contract shall cause the contract to be violated by one of the parties, despite this the violating party is responsible in accordance with the contract against the other party. In case of the existence of any dispute between the violating party and the third party, the dispute shall be resolved in accordance with mutual agreement of the parties and provisions of the law.

Article 85: Ascertaining Compensation of Damage in Contract or Law

If violation of one of the parties causes loss or harm to the personal interest or property of the other party, the injured party may claim damage in accordance with the principles of the contract or provisions of the law.

CHAPTER TEN

SPECIAL PROVISIONS

ARTICLE 86: APPLICABILITY OF GENERAL PROVISIONS

The General Provisions mentioned in this law are applicable on all contracts regulated based on this law. Following instances are exempted from this provision:

- 1- Contracts regarding which different rules have been provided in special provisions.
- 2- Contracts in which the general provisions are made exceptions based on agreement of the parties or according to law.

ARTICLE 87: DISPUTE RESOLUTION

Parties may resolve their dispute regarding the contract in one of the commercial courts of the country unless provided in the contract that dispute shall be resolved through conciliation, mediation or arbitration.

Article 88: Competency and obligations of Commercial Courts

- (1) Whenever it is provided in the contract that resolution of disputes arising out of the contract shall be performed through conciliation, mediation or arbitration, in this case court cannot resolve them. Following situations are exempted from this provision:
 - 1- Proceedings for performance or enforcement of provisions mentioned in contract required for conciliation, mediation or arbitration.
 - 2- Preventive or interim measures required for arbitration proceedings.
- (2) Parties are obliged to enforce the decision or arbitral award or mediation agreement which is enforceable according to provisions of law. Whenever one of the parties cannot perform this obligation, the competent court issues an order for its enforcement based on request of the party to which it is related.

ARTICLE 89: LIMITATION PERIOD

Filing a case or requesting arbitration arising out of the contract can be performed within 4 years from the date of knowing about damage incurrence or possibility of acquiring knowledge about it. Whenever the opposing party uses lie, cheating or any other form of fraud which results in lack of knowledge of the affected party so this period is added upon the limitation period.

CHAPTER ELEVEN

SALES CONTRACT

ARTICLE 90: ADDITIONAL CONDITIONS

In addition to conditions mentioned in Article 12 of this Law a sales contract includes packaging, standard and reviewing or inspection method, payment method, contract conclusion language, and validity.

ARTICLE 91: OBLIGATIONS OF THE SELLER

The seller is obliged to deliver the goods to the buyer which are in conformity with the contract and delivery shall be within the time, in place and method mentioned in the contract unless otherwise provided in this law.

ARTICLE 92: DELIVERY PERIOD

- (1) Whenever a time period has been determined for delivery of goods in the contract, the seller can deliver the goods anytime within the mentioned time period.
- (2) Whenever a time period has not been determined for delivery of goods in the contract and the time cannot be determined according to Articles 59 and 60 of this law, in this case the seller shall deliver the sold goods within a reasonable period of time to the buyer.
- (3) Whenever the sold goods are in possession of the buyer or a trustworthy person, and the seller does not have any obligation of goods carriage to the seller based on the contract, in this case the date of contract conclusion is considered as the delivery date.

ARTICLE 93: DELIVERY PLACE

Whenever the delivery place is not determined in the contract, seller shall deliver the goods according to following mentioned conditions:

- 1- Whenever the sold goods requires carriage, the seller shall deliver them in the first consignment as suitable for carriage to the buyer.
- 2- Following measures shall be taken Whenever the sold goods do not require carriage:
 - Whenever the seller and the buyer knows during the time of contract conclusion that the sold goods are placed in a particular place so in this case the seller is considered responsible for delivery of the goods in the mentioned place.
 - Whenever both the seller and the buyer are not informed about the location of the sold goods during the time of contract conclusion so in this case deliver is performed in ordinary manner in work place of the seller.

ARTICLE 94: DELIVERY METHOD

- (1) The seller is obliged to complete and process the relevant documents including all the documents required for transfer of ownership to the seller and submit them to the seller concurrently with the delivery of the sold goods, unless otherwise agreed by the parties.
- (2) The seller is obliged to submit all kind of documents and other materials related to the sold goods to the buyer as required by the contract, or common practice and customs.

ARTICLE 95: OBLIGATION OF THE BUYER

The buyer is obliged to pay the purchase price within the time, in place and according to method agreed and determined in the contract. Whenever the price is not determined in the contract, in this case it is determined according to provisions of Articles 59 and 60 of this law unless otherwise provided in this law.

ARTICLE 96: TIME AND PLACE OF PAYMENT

The buyer shall pay the purchase price in work place of the seller whenever the time and place for payment is not determined in the contract and this issue cannot be determined according to provisions of Articles 59 and 60 of this law. Whenever the parties have subject the payment of price to delivery of the sold goods or its delivery certificate so in this case the price shall be paid within the time and in place where the sold goods or its delivery certificate is given. In case where the customer is not obliged for the urgent payment so the price shall be paid in residence place of the customer upon deservng.

ARTICLE 97: BARTER TRANSACTION (EXCHANGE OF GOODS FOR GOODS)

Whenever the parties have agreed on exchange of goods for goods transaction which includes transfer of ownership and price, this sort of transaction is considered sale and provisions of this law are applicable on exchange of goods for goods transactions unless otherwise provided in the contract.

CHAPTER TWELVE

GUARANTEES AND CONTRACT RIGHTS

ARTICLE 98: INSPECTION RIGHT

- (1) Whenever the goods are determined in the contract but the receiver has not examined them, in this case the receiver may use this right within the time determined in the contract or law.
- (2) The person with inspection right is obliged to perform one of the following situations after examination:
 - 1- Accept all the goods so in this case the contract shall come into force.
 - 2- Reject all the goods in case of non-conformity with contract terms unless the parties agree that the person with inspection right can reject part of the goods so in this case, terms or validity of partial rejection are regulated in the contract.
- (3) Inspection right is lapsed in one of the following conditions:
 - 1- Performing previous inspection of the relevant goods.
 - 2- Explicit or implicit acceptance of the relevant goods.
 - 3- Death of the person with inspection right
 - 4- Destruction or damage of all or part of the goods whenever they are in preservation of the receiver.
 - 5- Whenever the rights regarding the goods are given to third party by submitting or transferring the ownership.

ARTICLE 99: CONSEQUENCES OF NON-INSPECTION

- (1) Whenever a time period for inspection of goods has been determined in the contract, the buyer is obliged to inform the seller about any sort of defects in the goods which are not in conformity with contract terms before expiration of the mentioned time. The goods are considered in conformity with the contract if the buyer does not inform the seller about the mentioned issue.
- (2) The buyer shall examine the goods and inform the seller about non conformity of the goods with the contract within a reasonable time starting from the date of delivery, whenever time for inspection has not been determined in the contract. Whenever the buyer does not inform the seller about this issue then it is considered that the goods are in conformity with the contract. Whenever warranty is present regarding non-defect and defect of goods, in this case the mentioned guarantee is valid and replaces the time period mentioned in Clause (1) of this Article.
- (3) The buyer is not subject to the time limitations for informing mentioned in Clauses (1) and (2) of this Article if the seller intentionally conceals the non-conformity of the goods with the contract terms.

ARTICLE 100: OPTION OF SELECTION (“SELECTION OPTION”)

- (1) Parties to a sales contract may agree that the sold goods includes two or more goods and one of the parties have the selection option provided that the price of each goods and time period within which selection option shall be used is determined in the contract. Whenever this period is not determined in the contract in this case the mentioned option can be utilized within a reasonable period according to common practice and customs of the transaction place.
- (2) Whenever the buyer has the option to select between two or more than two goods and one of the two goods are lost or destroyed while in possession with the seller, in this case the buyer may buy one of the two goods by its price, reject them or terminate the contract. The sale transaction gets invalid whenever all the goods in possession of the seller are lost or destroyed.
- (3) Whenever the buyer has the option to select between two or more than two goods and one of these goods are lost or destroyed while in possession of the buyer, in this case the mentioned goods are considered sold goods and the buyer is obliged to pay the price for these goods. The remaining goods shall be kept as safe keeping and buyer shall return the goods to the seller or pay its price if there has been a previous agreement between the parties.
- (4) Whenever the seller has the option of selection and one of the goods are lost or destroyed by buyer before or after receiving them, in this case seller may select one of the following methods:
 - 1- Request the buyer to take one of the remaining goods and pay their price according to the contract.
 - 2- Terminate the contract
- (5) The contract is void whenever all the goods are lost or destroyed.
- (6) Whenever the person having the right of selection dies in duration of this right, the mentioned right is transferred to her/his heirs.

ARTICLE 101: REJECTION OPTION FOR THE REASON OF DEFECT

- (1) In a sales contract the buyer has the right to reject the defective goods. Mentioning this option in the contract is not necessary.
- (2) The buyer may reject the defective goods only in the following conditions:
 - 1- The defects shall be already present in the goods.
 - 2- Defect shall affect the value of subject to the contract.
 - 3- The defect was not known to the buyer while concluding the contract.
 - 4- The parties have not agreed to ignore the seller's responsibility regarding defective goods.
- (3) In case of occurrence of the conditions mentioned in clause (2) of this Article the buyer may terminate the contract before taking the defective goods within a reasonable time not exceeding from 30 days without referring to the court and in case of after taking the goods the buyer shall request termination of the contract from the court.
- (4) Whenever the buyer uses the right to reject the defective goods, in this case she/he shall proceed as follow:
 - 1- Return the contracted goods to the seller and the seller shall repay the purchase price to the buyer under the condition of clause (3) of this Article.
 - 2- Possess the defective goods and demand compensation of damages arising out of the decrease in value of the goods from the seller provided that rejection of the good is not possible without her/his intervention.
- (5) Option to reject the goods is lapsed in one of the following conditions:
 - 1- Not using the mentioned option within the legal time period.
 - 2- Accepting the defect after knowing about it.
 - 3- Destroying, destructing or damaging the goods before knowing about their defects.
 - 4- Selling or submitting the goods after knowing about their defects.

ARTICLE 102: IMPLICIT GUARANTEES/SECURITIES

Following implicit guarantees are considered part of the sale contracts. Conditions mentioned in Article 108 of this law are exempted from this provision:

- 1- Seller's obligation that the sold commodity is free from all types of possessive claims, possession right and mortgage or guarantee of third party, unless reveals explicitly or in written to the buyer before contract conclusion. Whenever special conditions are present based on which the buyer can be sure that the seller does not have personal ownership claim or intends to sell only the part which belongs to him or third party.
- 2- Guarantee of the seller (who is a trader) regarding goods which the seller supplies in the market shall have the following characteristics:
 - Is acceptable in trade and sales transactions according to the contract and without objection.
 - Whenever the goods are fungible or exchangeable then they shall have average quality according to the contract. And shall be suitable for common objectives usually obtained from such goods.
 - The unit(s) shall have be the same in type, characteristic and quantity according to permissible variations of the contract.

- Packaged and labelled according to the terms mentioned in the contract
- Shall be in conformity with the obligations and securities which are visible on the container or label.
- 3- Whenever during conclusion of the contract the seller knows the particular objective of the buyer's need of the goods and the buyer relies on skill and determination of the seller in selection and providence of suitable goods then it is an implicit guarantee which is the objective itself unless there is any exception or modification in the contract.
- 4- Other implicit guarantees arising out of past relations of parties to the transaction and commercial customs unless they are rejected or any modifications are made to them.

ARTICLE 103: REFUSAL OF IMPLICIT GUARANTEES

- (1) The parties to a sales contract can agree on removal or non-inclusion of the implicit guarantee(s) mentioned in Article 102(2) of this law. Agreement on refusal or non-inclusion of the obligation or guarantee mentioned in Article 103 (2) are void considering clause (2) of this law unless:
 - 1- The agreement is in writing.
 - 2- The contract shall be structured in a way which is easily understandable for a person who has experience in such transactions.
 - 3- The agreement shall be clear enough to attract the attention of the buyer by its exceptional words
 - 4- The agreement shall be signed by the buyer.
- (2) Mentioning and presence of words such as (as it is), (with all defects) or other words which attract the attention of the buyer regarding removal of the implicit guarantees in their common meaning and clarifies the absence of such guarantees result in removal of implicit guarantees unless otherwise provided by the conditions.
- (3) Whenever the buyer completely examines the goods, sample and model as wanted or refrains from examining them before conclusion of the contract, in this case implicit guarantee for the defects which should have been revealed during the inspection is not required.
- (4) Implicit guarantee can be modified or removed according to previous relations of the parties to a transaction, obligation performance method or commercial customs.

ARTICLE 104: EXPLICIT GUARANTEES

- (1) Explicit guarantees by the seller are as following:
 - 1- Every sort of declaration or obligation of the seller towards the buyer regarding the goods and which forms the fundamental part of the transaction, in this case the explicit guarantee is regarding conformity of the goods with the obligation.
 - 2- Every sample and model which forms fundamental part of the transaction forms an explicit guarantee that all goods shall be according to sample and model.
- (2) For explicit guarantee it is not necessary that the seller uses official words such as (obligation), (guarantee) or that the seller has the particular intention to guarantee. But

the declaration which only shows value of the goods or statement which only shows opinion or recommendation of the seller regarding the goods do not form an explicit guarantee.

ARTICLE 105: SALE ACCORDING TO SAMPLE

- (1) Whenever a sample or model form fundamental part of the transaction, the parties shall stamp it and ascertain the quality according to it. In this case the seller explicitly guarantees the conformity of the sold goods with the sample and the specifications.
- (2) Whenever the sample or model has such a defect that the buyer is not informed about it while concluding the contract, the goods that are delivered by the seller shall be in conformity with the common standard quality of the goods. Delivery of the goods according to defective sample is not considered as seller's obligations performance.

CHAPTER THIRTEEN

TRANSFER OF GOODS' OWNERSHIP

ARTICLE 106: TRANSFER OF OWNERSHIP

- (1) Ownership of the goods is transferred concurrently with the delivery of the goods unless otherwise agreed by the parties or provided otherwise in the law.
- (2) Parties may agree on differed payment in a way that the seller can preserve ownership of the goods until the buyer pays the price for the goods or performs her/his other obligations.

ARTICLE 107: OWNERSHIP OF THE PROCEEDS

The proceeds of the sold goods acquired before the delivery belongs to the seller and if the proceeds are acquired after the delivery then they belong to the buyer.

ARTICLE 108: ACCESSORIES AND ACCESSORIAL OBJECTS

Sale of goods includes accessories of the sold goods which are attached to them or are permanently placed in them for their usage or are considered attachments of the goods according to custom although not mentioned in the contract.

Delivery of the sold goods results in transfer of ownership of these accessories unless otherwise agreed by the parties.

ARTICLE 109: SALE OF LAND AND ITS ACCESSORIES

- (1) Sales contract of a building includes the area of the land on which it is built.
- (2) Sales contract of a land includes the building and trees present on it.
- (3) Sales contract of a building includes its accessories not its moveable goods.
- (4) Sales contract of a land includes the plants grown on it.

(5) The provisions mentioned in clauses (1, 2, 3 and 4) of this Article are applicable in case it has not been agreed otherwise by the parties.

ARTICLE 110: SALE OF CROPS

Sale contract of crops which can be collected does not include the crops which are grown for the second time in a year unless otherwise agreed by the parties.

ARTICLE 111: WEIGHT

Whenever in a sales contract of goods the price is determined based on the weight of the goods so the net weight shall be considered unless otherwise agreed by the parties or provided otherwise in customs.

CHAPTER FOURTEEN

RISK OF GOODS DAMAGES

ARTICLE 112: RISK OF DAMAGES WITHOUT BREACH OF THE CONTRACT

- (1) Risk of harm or damages to the sold goods is upon the seller before the delivery of the goods and upon the buyer after the submission of the goods unless otherwise provided in this law or in the contract.
- (2) Whenever the seller delivers the goods to a place other than determined in the contract by request of the buyer, in this case the risk of harm or damages to the goods is upon the buyer from the time when they are submitted to the person responsible for carriage of the goods, unless otherwise agreed.
- (3) Whenever the goods, before their delivery, are preserved by a trustworthy person for the delivery and submission, in this case the risk of damages to the goods is upon the buyer if the following conditions happen:
 - 1- Receipt of the ownership certificate for the sold goods by the buyer.
 - 2- Verification of the trustworthy person regarding buyer's possession and ownership right of the sold goods.
- (4) Provisions of this Article are applicable in compliance with different agreements of the parties and provisions of Articles 40, 95, 107, 108, 110, and 129 (8) of this law.

ARTICLE 113: EFFECT OF BREACH OF CONTRACT ON RISK OF DAMAGES

- (1) Whenever delivery of the goods by the seller is in violation to the contract up to the extent which results in rejection of the transaction by the buyer, in this case, risk of damages is upon the seller until the seller compensate it.
- (2) Whenever the buyer legally rejects the goods or does not accept them, the buyer may, puts the risk of the damages upon the seller from the beginning, proportionate to the deductions in the insurance certificate.

- (3) Whenever the buyer, before being responsible for risk of the damages, rejects the goods which are in conformity with the contract or previously determined in the mentioned contract or breaches the contract, the seller may put the risk upon the seller within a reasonable time according to business, proportionate to the deductions in the insurance certificate.

ARTICLE 114: PASSING OF RISK WITH NON-DELIVERY CHARACTERISTIC

Failure of the seller in submitting the documents and other materials related to sold goods included in the contract does not affect passing of the damages risk or waste of the mentioned goods unless the sold goods are properly delivered to the buyer.

ARTICLE 115: COMPENSATION RIGHT IN SPITE OF ACCEPTANCE OF RISK

Accepting damage or harm risk related to subject of the contract by the buyer does not affect the buyer's right for demanding the seller to perform the obligations mentioned in contract terms.

CHAPTER 15

OBLIGATION PERFORMANCE, BREACH AND COMPENSATION OF DAMAGES

ARTICLE 116: COMPENSATING OF SELLER'S DAMAGES WHILE KNOWING ABOUT BUYER'S BANKRUPTCY

- (1) When the seller knows about bankruptcy of the buyer, the seller may reject to deliver all or remaining part of the goods before receiving the complete payment of the mentioned goods or the seller may stop the delivery.
- (2) Whenever the seller realizes that the buyer has received the goods in bankruptcy as credit, the seller may ask for recovery of the goods within 10 days after submission of the goods to the buyer and take them back. But in case the seller is wrongly informed in writing about the bankruptcy 3 months before the delivery so in this case recovery of the goods is not applicable within 10 days. The seller cannot demand recovery of the goods based on unintentional false information or false report regarding bankruptcy of the buyer or decision of the buyer regarding payment.
- (3) Right of the seller to recovery of proper goods mentioned in clause 2 of this Article is subject to rights of third party buyer in common business customs or other buyer having good faith. Recovery of proper goods cancels other compensation of damages related to the goods.

ARTICLE 117: FULL COMPENSATION OF SELLER'S DAMAGES

Whenever the buyer unlawfully rejects the goods and fails to pay the price of the goods on time or denies existence of a part of the contract or the whole contract then the seller may proceed as follow:

- 1- Restrain from delivery of the goods;
- 2- Stops the transportation vehicle for delivery of the goods;
- 3- Re-sells the goods and receives compensation of damages according to provision of Article 118 of this law;
- 4- Receives the damages arising out of non-acceptance according to provision of Article 119 of this law or receives a just price according to provision of Article 119 of this law in case of necessity;
- 5- Terminates the transaction.

ARTICLE 118: RESELLING OF THE GOODS BY THE SELLER

- (1) The seller may, according to Article 117 of this law, resells the relevant goods or resells the goods which are not delivered. Whenever the resell is performed with good faith or according to reasonable business method, the seller may receive the damages arising out of the difference between resell price and price mentioned in the contract together with subsequent damages mentioned in Article 122 of this law with deducting the expenses which have been saved resulting from breach of contract by the buyer.
- (2) Resell can be performed with one of the following conditions:
 - 1- In public presence or in a private manner including sale through one or more than one contract for the purpose of sale or execution of the contract available with the seller unless otherwise agreed by the parties.
 - 2- Resell including method, time, place and conditions shall be reasonable according to business principles as a unit, parcels, in every place and under every circumstances.

Resell shall be determined according to the breached contract but it is not obligatory that the goods shall be present or all the goods or part of them are determined before the breach of contract.

- (3) The seller shall give a reasonable notice regarding the seller's intention of sale to the buyer whenever the resell is performed in a private manner.
- (4) Whenever the resell is performed in public place it shall happen in a market or place which is used/determined for the same purpose. The seller shall inform the buyer regarding the time and place of resell with a reasonable notice. The goods which are subject to reduction of price in a short period are exempted from this provision. Whenever the goods are placed far from the sight of the visitors then the sale notice shall include mentioning of the place where the mentioned goods are placed and this notice shall also provide the facility so the bidder can check the goods. The seller can also join the buyers.

- (5) The buyer who tends to buy the goods of reselling with good faith may possess the goods without the first buyer having rights on them, even if the seller has not performed according to condition(s) of this Article.

ARTICLE 119: SELLER'S DAMAGES ARISING FROM NON-ACCEPTANCE OR REJECTION

- (1) The amount of damages arising from non-acceptance or rejection of the buyer in compliance with clause 2 of this Article is the difference between the market price in time and place of the delivery and the unpaid contract price with the subsequent damages mentioned in Article 121 of this law with deducting the expenses which have been saved resulting from breach of contract by the buyer.
- (2) Whenever the money for damages mentioned in clause 1 of this Article is not enough up to the extent that it cannot place the seller in a position where the seller could have been if the obligation was performed, in this case the amount of money for damages is equivalent to the profits (including the additional expenses) which the seller could have achieved in case of performance of obligation by the buyer. This amount also includes compensation of subsequent damages mentioned in Article 123 of this law, required costs for reasonable expenses that have occurred, required credit for performance of the payments and what have been acquired from the sales to third parties.

ARTICLE 120: SELLER'S ACTION FOR PRICE

- (1) Whenever the buyer fails to pay the price within the specified time, the seller may receive the price of the goods together with the damages mentioned in Article 122 of this law as follow:
- 1- Price of the accepted goods or the goods according to the contract which have been lost or damaged after passing of their damages risk to the buyer within reasonable business time.
 - 2- Price of the ascertained goods in the contract provided that despite seller's struggle, the seller could not resell them with a reasonable price.
- (2) Whenever the seller files a case of price of goods, the seller is obliged to place the goods which are mentioned in the contract and the seller still possess them in possession of the buyer. But, in case the reselling becomes possible, the seller may sell the goods any time before receiving court's order. The net outcome achieved from such sale shall be placed in account of the buyer and payment of the expenses shall be based on court's order, while the buyer is entitled to ownership of the unsold goods.
- (3) Whenever the buyer unlawfully rejects the goods or restrains from their acceptance or fails to pay their price within the specified time or denies the obligation, despite the court's order based on this Article regarding non-entitlement of the seller to price of the goods, the seller is entitled to compensation of damages according to provision of Article 121 of this law.

ARTICLE 121: SUBSEQUENT DAMAGES OF THE SELLER

Subsequent damages of affected seller includes all costs, expenses or common commercial commissions that the seller has borne during stopping of the delivery in carriage process, protection and preservation of the goods after buyer's breach regarding recovery or reselling of the goods or other damages arising from the breach.

ARTICLE 122: FULL COMPENSATION OF BUYER'S DAMAGES

- (1) Whenever the seller fails to deliver the goods or restrain from the delivery of the goods, or the buyer lawfully rejects the goods, in this case, the buyer may regarding the mentioned goods or in case of breach of contract, regarding all the goods terminates the transaction. In case of termination or non-termination of the transaction, the buyer may proceed as follow in addition to receiving the paid amount of price:
 - 1- Achieve the compensation for damages according to provision of Article 123 of this law regarding all the defected goods, whether or not determined in the contract.
 - 2- Receive compensation of incurred damages arising from non-delivery according to provision of Article 125 of this law.
- (2) The buyer may proceed as follow whenever the seller fails to deliver the goods or rejects it:
 - 1- Take the goods according to Article 127 of this law whenever the goods are specified.
 - 2- In special condition, the buyer has the right to ask for specific performance or takes court's order for delivery of the goods according to Article 128 of this law.
- (3) Whenever the buyer has lawfully rejected the goods then the seller has property right in the goods under her/his possession or administration in terms of price payment and reasonable expenses borne in examination, receipt, transport, preservation and protection of the goods. And the buyer may protect or resell the mentioned goods as an affected seller according to Article 127 of this law.

ARTICLE 123: PROVIDING SUBSTITUTE GOODS BY THE BUYER

- (1) Whenever the seller breaches her/his obligation according to Article 122 of this law, the buyer may with good faith and without unreasonable delay proceed to purchase substitute goods for goods which are required to be delivered by the seller or the buyer may enter into a contract for the substitute goods.
- (2) The buyer may receive the monetary difference between purchase of the substitute goods and the price mentioned in the contract together with subsequent or indirect damages mentioned in Article 126 of this law with deducting the expenses which have been saved resulting from breach of contract by the seller.
- (3) Failure of the buyer in providing the substitute goods mentioned in clauses (1 and 2) of this law does not prevent taking of other damage compensations by the buyer.

ARTICLE 124: BUYER'S DAMAGES FOR NON-DELIVERY

- (1) The amount of damages arising from non-delivery of the goods or restraining from their delivery by the seller is the difference between market price during buyer's awareness from breach of contract and the mentioned price in the contract together with subsequent or indirect damages mentioned in Article 126 of this law and with deducting the expenses which have been saved resulting from breach of contract by the seller.
- (2) Market price is determined according to price of delivery place or in rejection conditions after delivery or termination of the acceptance based on price of delivery place of the goods.

ARTICLE 125: BUYER'S DAMAGES FOR BREACH REGARDING ACCEPTED GOODS

- (1) Whenever the buyer has accepted the goods and has informed the seller regarding that, the buyer may take the compensation for damages arising from non-compliance with delivery terms and the compensation of damages arising from ordinary accidents which has been incurred in result of seller's breach and which have been reasonably ascertained.
- (2) The amount of damages arising from breach of goods' guarantee is the difference in time and place of acceptance between value of the accepted goods and their value according to the guarantee, unless the special terms of direct damages shows a different amount.
- (3) In special condition, subsequent and indirect damages mentioned in Article 127 of this law can be compensated.

ARTICLE 126: BUYER'S SUBSEQUENT AND INDIRECT DAMAGES

- (1) The subsequent damages which are incurred as a result of breach of contract by seller include the expenses which are borne reasonably in examination, receipt, transport, protection and preservation of the lawfully rejected goods. Costs, expenses and common commercial commissions regarding guarantee of goods and other expenses as a result of delay and breach are also part of the mentioned damages.
- (2) Indirect damages incurred as a result of seller's breach are as follow:
 - 1- Damages resulting from common or special necessities and the seller should have known about them during conclusion of the contract and it was impossible to reasonably prevent them thorough compensation or through other means.
 - 2- Loss to person or to goods directly incurred as a result of breach of obligation or guarantee.

ARTICLE 127: SPECIFIC PERFORMANCE OR COMPENSATION OF DAMAGES TO THE GOODS

- (1) The court shall order specific performance if the goods are not fungible or are under other special conditions.
- (2) The buyer has the right to ask the court to receive the goods mentioned in the contract whenever the buyer after performing required struggle cannot provide fungible/substitute goods or the situations show that that such struggle is inconclusive.

- (3) The seller with giving notice about her/his decision to the seller may deduct the full damages or part of the damages which are incurred as a result of seller's breach of contract from every part of price of the goods which are still payable according to the same contract.

CHAPTER SIXTEEN

TYPES OF SALE CONTRACTS

ARTICLE 128: SALE AND DELIVERY CONTRACT

- (1) In a sales contract the delivery of the goods and their acceptance can be performed several times and in separate parts.
- (2) The buyer may reject each of these parts which are not in conformity with contract terms in following conditions:
 - 1- Non-conformity up to a considerable/remarkable extend that affects the value of that part and that the incurred loss cannot be compensated.
 - 2- When the non-conformity with the required documents is considered a defect unless assurance for its compensation has been given.
- (3) Whenever non-conformity or mistake in part(s) considerably affects the general value of the contract in this case the contract is considered as breached completely. But if the affected party accepts the non-conforming part without giving notice to the seller in a reasonable time from cancellation of the transaction or only files a case regarding the previous part or requests for performance of the future parts so in this case the contract shall remain effective.

ARTICLE 129: PURCHASE IN INSTALLMENTS AND REPOSSESSION

- (1) Contract with purchase in installments shall be in writing and shall be organized in two copies which explains the specifications which determines the substance of the sold good, price, period and installments terms. The seller is required to give one copy of the contract to the buyer.
- (2) Verification of the seller regarding receipt of one installment is considered as receipt verification of all previous installments unless any other contrary documents prevails.
- (3) Whenever the buyer fails to pay one of the price installments which has been agreed so the seller may terminate the contract and repossess the goods unless otherwise agreed.
- (4) Whenever the seller repossesses the goods so the buyer is obliged to return the mentioned goods to the seller and the seller shall return the amount of cash equivalent to value of all installments which the seller has received from the buyer before repossession of the goods.
- (5) The seller may demand the following total amount from the buyer, if not agreed otherwise:
 - 1- Reasonable wage for usage of the recovery goods by the buyer within the time period during which the goods were in possession of the buyer.

- 2- Compensation of damages or consumption of the goods, except ordinary consumption during the time period in which the goods are in possession of the buyer.
- 3- Reasonable wage for services performed for administrative affairs by the seller for repossession of the goods.
- (6) The amounts which the seller puts upon the buyer according to clause (5) of this Article shall not be higher than the total price mentioned in the contract including the profit. The seller may compensate the amount which is upon the buyer according to clause (5) of this law for the payable amount to the buyer according to clause (4) of this law.
- (7) Agreement on payment of the total price and that the total price will become payable whenever one installment cannot be paid within its determined period cannot be performed unless the buyer fails to pay the amount after receiving the notice and at least 7 days after date of this notice.
- (8) Whenever the seller preserves the ownership of the sold moveable goods until payment of all the installments in this case the buyer achieves the ownership of the mentioned goods after payment of the last installment and the buyer shall be responsible for damages or destruction of the goods from the time they are delivered to the buyer.
- (9) Condition of preserving the ownership mentioned in clause (8) is not applicable regarding the third party without affecting the different provisions mentioned in Bankruptcy Law. Unless this condition is mentioned in the agreement and prevails over the right of third part in terms of time.

Whenever right of the third party regarding the purchase contract with installments is later and the condition for preserving the ownership regarding the case filed by the lenders about the sold goods is pre-eminent in terms of time and is mentioned in the contract, in this case preserving the mentioned condition is applicable regarding the third party.

- (10) The buyer cannot consume or sell the goods before payment of the total installments unless the seller has agreed in writing regarding it. Every sort of submission of the goods to third party by the buyer in violation of this provision shall not affect the seller unless the third party proves that has taken actions without knowing about ownership right of the seller and with good faith so in this case the buyer and the third party are commonly and separately responsible towards the seller regarding payment of the remaining installments.
- (11) Provisions of this Article are applicable on lease transactions. Unless otherwise provided in the law.

ARTICLE 130: COMMERCIAL SALE

- (1) Whenever in a commercial sale the parties to the contract do not specify the price so the sale is valid if the sale has happened according to the price usually used between the parties in their transactions but if there are no past relations between the parties to the transaction so in this case the market price shall be used unless the conditions demand to use another price.
- (2) Whenever the price in a commercial sale is determined based on market price so the price is determined considering the price which is usual in time and place of contract

conclusion unless otherwise provided in the contract. If there are more than one market price the average price shall be considered.

- (3) Whenever the parties to a contract in commercial sale agree that the buyer may determine the structure, size and other specifications of the sale so the buyer is obliged to perform such determinations within the agreed time period.
- (4) Whenever the time is not specified, the buyer is obliged to perform them within a reasonable period of time. If the specified time is expired without the buyer making the determinations so the seller may:
 - 1- Determine the specifications of the sale and inform the buyer about them. The determinations are considered final if the buyer does not object them with 10 days from the date of receipt of the notice.
 - 2- Terminate the contract and request compensation of damages.

ARTICLE 131: TRIAL SALE

- (1) The buyer in trial sale may buy the goods or reject them in trial period. If the buyer does not show tendency for buying or not buying the goods in end of the trial period, it is considered that the buyer has bought the goods.
- (2) The parties may set a time for trial period. If such time has not been set the seller shall set the time. Unless the general conditions require to use another method, shall be used.

ARTICLE 132: SALES WITH FREE CARRIER AGREEMENT (FCA)

- (1) Whenever in sales with free carriage, delivery is performed in place of possessions of the seller, seller is responsible for goods loading. But in case delivery is performed in other place seller is not responsible for loading. Whenever, the buyer appoints other person than the carrier for submission of goods, in that case the responsibility of the seller with delivering goods to that person is considered performed regarding the delivery obligation.
- (2) In Sales with Free Carrier, the seller has the following obligations:
 - 1- Provide goods, Commercial account and or equivalent electronic message based on sales contract and other documents which are in conformity with the contract.
 - 2- Provide export license or other official permit when necessary including all customs clearances for export with seller's own responsibility and expense.
 - 3- Deliver the goods to carrier or buyer's representative in the specified place and on date or within the time agreed for delivery.
 - 4- Pays the expenses related to the goods up to the time of their delivery.
 - 5- If required, pays the customs duties, taxes, tariffs and other payable expenses related to the exports of goods.
 - 6- Informs the buyer that the goods has been delivered to the carrier of any other person. Whenever the carrier fails regarding the delivery in its specified time, the seller shall inform the buyer regarding it.

- 7- Liable for incurred losses or damages to the goods until the time of delivery according to provisions of this Article.

(3) In Sales with Free Carrier, the buyer has the following obligations:

- 1- Pays the price as mentioned in the sales contract.
- 2- Acquires and performs authorization for import or other official permit and customs clearances for import of the goods by buyer's own liability and expense.
- 3- Transfer the goods from their determined place by buyer's own expense unless seller has undertaken to perform it.
- 4- Inform the seller about name of the person or transferring authority and if required according to the condition specifies transfer method, date or time period for delivery of the goods and place where the goods shall be handed over to the carrier, to the seller.
- 5- Submission of the goods after the transfer.
- 6- Undertakes liability for losses or damages incurred to the goods from the time of their delivery.
- 7- Accepts risk of losses or damages incurred to the goods from the date agreed upon or expiration date of the time agreed for delivery and which arises from one of the following reasons:
 - The buyer cannot introduce or appoint the carrier or another person.
 - The carrier or another person appointed by the buyer cannot undertake the liability related to the goods in the agreed time.
 - The buyer cannot inform the seller according to provisions of this Article.

Above mentioned situations are subject to whether the goods are legally included in the contract or are determined otherwise as goods in the contract.

- 8- Pays the expenses related to the goods from the date the goods are delivered according to provisions of this Article.
- 9- If required, pays the taxes, customs loans and other import related expenses of the goods.
- 10- Pays expenses of the inspection before delivery of the goods (except for audit by competent government authorities from which the goods are exported).
- 11- Provide the information and required instructions regarding delivery of the goods when necessary to the seller with cooperation of the seller.

(4) Delivery of the goods as per purpose of this Article is considered performed in following situations:

- 1- Whenever the place of delivery is place of possessions of the seller, loading of the goods is provided on transportation by carrier of the goods appointed by the buyer or buyer's representative.
- 2- The unloaded goods in transportation means of the seller are placed at the disposal of carrier of the goods or another person designated by the buyer or selected by the seller.
- 3- If a specific spot is not determined in the specified place of delivery and there are several spots, the seller may select a spot in place of the delivery which is suitable for this purpose.

- 4- In the absence of specific instructions by the buyer, the seller may deliver the goods to the transportation authority as required by type of delivery, quantity and quality of the goods.

ARTICLE 133: SALES WITH CARRIAGE AND INSURANCE PAID (“CIP”)

- (1) In sales with CIP the buyer is liable for risks and additional expenses after delivery of the goods. The seller shall at least provide insurance of the goods while their transfer. Whenever the buyer asks for extra insurance, in this case the buyer is liable for the additional insurance unless the seller has agreed for its payment. In sales with CIP, the seller has the following obligations:
 - 1- Provides goods and commercial account or its equivalent electronic message in conformity with the sales contract and other documents required by the contract.
 - 2- Acquires and performs every type of export license, customs formalities and other official documents required for export of the goods by the seller’s own liability and expense.
 - 3- Performs delivery of the goods as per the contract in accordance with usual conditions by seller’s own expenses for transportation of the goods to the specified spot, in the desirable place from the common route and with its usual method.

Whenever the determination of the place is not agreed or cannot be determined by interaction, the seller may determine a suitable place for such purpose.

- 4- Provides cargo insurance as agreed upon in the contract by seller’s own expenses and in way that the buyer or another person is included in profits of the goods insurance, has the right to directly claim from the insurer and provides insurance letter and other insurance related documents.
- 5- Hands over the goods to transferring authority.
- 6- Accepts the risks or loss or damage to the goods until the time of delivery unless otherwise agreed.
- 7- Accepts the expenses related to the goods until the time of delivery, rent and other transportation expenses, insurance, loading, unloading of the goods in the place of delivery which is upon the seller in accordance with the contract unless otherwise agreed.
- 8- Whenever the expenses related to customs clearances, taxes, customs loans and other payable expenses which are required for export of the goods through a country shall be paid by the seller provided that their payment is upon the seller in accordance with the contract, unless otherwise agreed.
- 9- Informs the buyer about the delivery of the goods so the buyer can take the necessary measures for receiving them.
- 10- Whenever it is usual, provides document(s) related to the transfer (loading bill of transferable shipping items, loading bill of non-transferable items by shipping, bill of domestic maritime, airway bill, railway bill, highway bill, or documents related to transfer of goods) by seller’s own expenses regarding the transportation of the contracted goods. Whenever the seller and the buyer agree to communicate through

electronic means, the document(s) mentioned above can be exchanged with equivalent exchangeable electronic information.

- 11- Pays expenses for inspection operation (inspection of the quality, size, weight and counting) required for delivery of the goods.
 - 12- Pays loading expenses of the goods according to the transfer terms by seller's own expenses and properly signs loading of the goods unless the mentioned transaction does not require sending of the goods as loaded of the goods.
 - 13- Provides every sort of cooperation based on buyer's request with liability and expenses of the seller for providing documents or equivalent electronic messages which are issued or transferred in the country from which it is sent or the country of origin and the buyer needs that for import of the goods or their transfer from other country.
 - 14- Provides the required information upon request of the buyer for providing extra insurance.
- (2) In sales with CIP, the buyer has the following obligations:
- 1- Pays the price according to the sales contract.
 - 2- Provides the import license and other related official documents together with customs documents which are required for export and transfer of goods from a country with buyer's own expense and liability.
 - 3- Takes the delivery of the goods from the carrier in its specified place.
 - 4- Takes the liability for risks, losses and incurred damages to the goods after the time of their delivery.
 - 5- If the buyer fails to provide notice according to provision of this law, shall take the liability for risks to the goods from the agreed date or expiration date of the time period specified for the delivery provided that the goods are related to the contract or have been determined otherwise as the contracted goods.
 - 6- Pays the expenses related to the goods from the time of their delivery, unless otherwise provided.
 - 7- Pays expenses related to the goods for the duration that the goods are in transit up to their delivery to the desirable place. Unless these expenses are upon or happened by the seller according to transportation contract or otherwise provided.
 - 8- Pays the expenses for unloading the goods unless these expenses are upon the seller according to the transportation contract or otherwise provided.
 - 9- The buyer shall pay the additional expenses related to the goods from the agreed date or from expiration date of the time period specified for the goods transfer in case of not notifying the seller according to provisions of this law. Provided that the mentioned goods are legally related to the contract or explicitly considered as part of the contract, unless otherwise agreed.
 - 10- If required, pays the customs loans for import of the goods or transit of the goods through other countries. Unless the mentioned expenses are part of the contract or provided otherwise.
 - 11- If the buyer has the authority for determining the time for delivery of the goods or determining the desirable place, the buyer shall inform the seller in this regard.
 - 12- Accepts the performable documents of the transportation if in conformity with the contract.

- 13- Pays the expenses of all types of inspection of the goods before its delivery (except paying the audit expenses of the competent government authorities from which the goods are exported).
- 14- Pays the expenses incurred for providing the documents or equivalent electronic messages and compensate the expenses borne by seller for the assistance.
- 15- Provides the required information about the extra insurance to the seller upon request.

CHAPTER SEVENTEEN

CONTRACTS OF STORING AND PRESERVING GOOD IN WAREHOUSE

ARTICLE 134: CONTRACT ENFORCEABILITY/APPLICABILITY

Contract of goods storage in warehouse is enforceable/applicable from the date of its conclusion.

ARTICLE 135: STORAGE OF HAZARDOUS SUBSTANCES IN WAREHOUSE

- (1) Whenever the bailor tends to store hazardous substances that has the ability to ignite, explode, suffocate and are toxic or radioactive etc. or tends to store degradable substances, the bailor is obliged to explain the nature of such goods and provide necessary information about them.
- (2) The bailee may reject the goods and take measures in expenses of the bailor to prevent the wastes in case of violation of the bailor from the provision mentioned in clause (1) of this Article.
- (3) Whenever the bailee agrees to store hazardous substances that has the danger to ignite, explode, suffocate and are toxic or radioactive, in this case the warehouse shall be equipped with necessary means of protection.

ARTICLE 136: OBLIGATIONS OF THE BAILEE

- (1) The bailee is obliged to examine and review the goods in the warehouse according to the contract. Whenever the owner of the warehouse finds out issues which results in non-acceptance of the goods, in this case the owner of the warehouse is obliged to inform the bailor on time. After performing the inspection and acceptance of the goods, the bailee is liable for type, quantity or quality of the goods and the damages arising from them.
- (2) Whenever bailee finds out that the goods in warehouse are being destroyed or damaged, bailee is then obliged to inform the bailor or holder of the warehouse receipt about the mentioned issue in the specified time.
- (3) Whenever the bailee finds out that the goods in warehouse are being destroyed or damaged due to which it can be presumed that other goods may be affected or risk of its normal preservation is presumed, bailee is obliged to request transfer of the goods according to the situations from the bailor or holder of the warehouse receipt. The bailee in extraordinary circumstances may transfer the goods from the warehouse as

necessary provided that subsequently informs deliverer of the goods or holder of the warehouse receipt about the mentioned issue as soon as possible.

ARTICLE 137: RECEIPT OF THE WAREHOUSE

- (1) The bailee issues the receipt of the warehouse after delivery of the goods by the bailee.
- (2) Receipt of the warehouse is a document which is used for retaking of the goods and with verification and approval of receipt of the warehouse by the bailee and with signature and stamp of the bailee the right of retaking of the goods shall be granted.
- (3) Bailee is obliged to give permission for inspection of the goods or taking a sample from them upon the request of the holder of warehouse receipt.

ARTICLE 138: DURATION OF STORAGE OF THE GOODS IN WAREHOUSE

- (1) Whenever the storage duration of the goods is not determined in the contract or is unknown, bailor or holder of the warehouse receipt may retake the goods whenever they want and also the owner of the warehouse may, at any time, request the bailor or holder of warehouse receipt to transfer the goods from the warehouse provided that required time shall be given for preparation of the bailor or holder of the warehouse.
- (2) Bailor or holder of the warehouse receipt may transfer the goods from the warehouse at the end of storage duration of the goods in the warehouse by providing receipt of the warehouse to owner of the warehouse.
- (3) Further rent/more rent can be demanded for the delay of transferring the goods from the warehouse by the bailor or holder of the warehouse receipt. But the storage wage is not reduced in case the mentioned goods are transferred from the warehouse before the end of duration of storage in the warehouse.
- (4) Whenever the bailor or holder of the warehouse receipt fails to transfer the goods at the end of the storage duration, the owner of the warehouse may determine a reasonable period of time for taking the goods and in case the transfer of the goods is not performed within this time period, the owner of the warehouse may proceed with third party for bailment of the goods.

ARTICLE 139: RESPONSIBILITIES OF THE WAREHOUSE OWNER

- (1) Whenever during the storage, damage to goods is caused due to lack of attention of the warehouse owner so the warehouse owner is responsible for compensation of damages. Unless otherwise agreed.
- (2) The warehouse owner is not responsible whenever the goods are destroyed or damaged due to nature of the goods or due to defect in the loading or storage.

CHAPTER EIGHTEEN

FINAL PROVISIONS

ARTICLE 140: APPLICABILITY

The legal contracts which have been concluded in Afghanistan until this law entered in to force are legally valid and from the date enforcement of this law the contracts shall be subject to provisions of this law.

ARTICLE 141: MATTERS RELATED TO OTHER CONTRACTS

Matters related to passenger transport contract, shipment and goods contract, labor and employee contract shall be regulated by legislative documents.

ARTICLE 142: PROPOSING REGULATIONS

Ministry of Commerce and Industry may propose regulations, guidelines and circulars to facilitate better execution of the provisions of this law.

ARTICLE 143: DATE OF ENTRY INTO FORCE

This Law is enforceable from date of its publication in official gazette and with its enforcement its contradictory provisions are hereby declared null and void.