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BARRIERS TO IMPOSING CRIMINAL LIABILITY ON LEGAL ENTITIES: INSIGHTS FROM IRANIAN LAWS

A JOGI SZEMÉLYEKKEL SZEMBENI BÜNTETŐJOGI FELLÉPÉS AKADÁLYAI: BETEKINTÉS AZ IRÁNI JOGBA

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In this study, the reasons for not accepting the criminal responsibility of legal entities have been investigated. These reasons that have complicated the possibility of accepting and implementing the criminal liability of legal entities include the lack of will of legal entities, the violation of the principle of the individualization of punishments, the impossibility of achieving the goals of punishments, the impossibility of committing a crime by a legal entity, the impossibility of applying many types of punishments on legal entities and the impossibility of summoning and arresting a legal entity.

Keywords: *criminal liability, legal entities, corporate criminal liability, criminal law of Iran, legal punishment*

Ebben a tanulmányban azokat az okokat, illetve jelenségeket vizsgálom, amelyek a jogi személyek büntetőjogi felelőssége elutasításának hátterében álltak. Ezek az okok, amelyek megnehezítették a szervezetek büntetőjogi felelősségének elfogadását és alkalmazását, az alábbiak: a jogi személyek akaratának hiánya, a büntetések egyéniesítése elvének megsértése, a büntetési célok elérésének nehézségei, a bűncselekmény jogi személy általi elkövetésének lehetetlensége, a hagyományos büntetések szervezetekkel szemben történő alkalmazásának nehézségei, és a jogi személy beidézésének és letartóztatásának lehetetlensége.

Kulcsszavak: *büntetőjogi felelősség, jogi személyek, jogi személyek büntetőjogi felelőssége, iráni büntetőjog, törvényes büntetés*

Introduction

The acceptance or legalization of criminal responsibility for legal entities has been a subject of debate and contention in many jurisdictions. Criminal law in all juris-

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dictions has developed in response to the actions of individuals as perceived by society and the state. However, in the contemporary world, especially in cases involving corruption and economic crimes, it is frequently the legal entity itself, such as a corporation, that initiates and benefits from corrupt activities. Any anti-corruption strategy is bound to fail unless the enforcement aspect includes provisions for holding legal entities accountable and ensures their effective implementation. Despite the recognition of the need to hold organizations accountable for criminal offenses, there are significant challenges that hinder its implementation. These challenges arise from various factors.

The traditional emphasis on individual accountability in many legal systems around the world makes it difficult to recognize and prosecute legal organizations. This deeply embedded legal custom frequently opposes the recognition of companies as distinct legal entities that are liable for crimes[1]. Furthermore, one common issue in many countries is the absence of specific laws pertaining to criminal responsibility of corporations[2.] This gap makes it more difficult to prosecute businesses for breaking the law and clouds the punishments for corporate wrongdoing.

In the United States, a pivotal shift occurred with landmark cases such as Enron, highlighting the imperative to hold corporations criminally accountable. Legal entities can now face charges and substantial fines for a range of offenses, setting an influential precedent for global legal considerations[3]. The legal landscape in England and Europe has evolved to recognize the need for corporate accountability. Legislation such as the Corporate Manslaughter and Corporate Homicide Act which came into effect on April 6, 2008 in the UK signifies a departure from traditional approaches, introducing mechanisms to prosecute legal entities for severe negligence resulting in fatalities[4.] Another example of legislation in Europe that marked a significant shift in accepting corporate criminal liability is the French Sapin II Law, which came into force in June 2017. The Sapin II Law introduced measures to combat corruption and enhance transparency, including the establishment of the French Anti-Corruption Agency (AFA) and the recognition of corporate criminal liability for certain offenses, such as bribery and influence peddling. This law signaled a departure from traditional approaches and represented a notable step toward holding corporations accountable for unlawful activities in France[5].

In contrast to developed countries where there has been a notable evolution in recognizing and implementing corporate criminal liability, Iran faces a distinctive

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1 L. LINDKVIST – S. LLEWELLYN (2003). Accountability, responsibility and organization. *Scandinavian Journal of Management* 19 (2), 265.

2 B. STEPHENS (2017). The amorality of profit: Transnational corporations and human rights. In: *Human rights and corporations*. Routledge, 34.

3 S. W. BUELL (2016). *Capital Offenses: Business Crime and Punishment in America's Corporate Age*. WW Norton & Company, 75.

4 S. TOMBS – D. WHYTE (2015). *The corporate criminal: Why corporations must be abolished*. Routledge, 23.

5 L. LEVOYER (2020). French law and whistleblowers. *Law & Justice Review* 11 (20), 154.

challenge in this regard. The Iranian legal system traditionally emphasizes individual responsibility, creating a substantial barrier to acknowledging and prosecuting legal entities for criminal offenses. Despite important strides taken in 2009 and 2013 through legal reforms, including the adoption of the Islamic Penal Code, uncertainties and gaps in the legal framework persist[6]. Stated differently, there are numerous complaints to the legal status of legal entities under applicable Iranian laws, even with the numerous reforms made in this regard. When it comes to assuming responsibility for legal persons and finding them guilty, choosing the appropriate penalties, holding trials, carrying out punishments, and other matters, there are serious issues in the decision-making process that cause issues for justice institutions. The most glaring issue is the injustice in how they are treated when compared to actual people. It means that despite the absence of a comprehensive definition of legal persons, which has resulted in divergent opinions within the field of legal doctrine, the bulk of legal entities operating in Iran are subject to penalties lacking any executive component[7]. Unlike more developed jurisdictions, Iran still has a considerable distance to cover in refining and enhancing its laws related to corporate criminal liability. Based on a comparative study conducted between the legal systems of Iran and France, it was found that the concerns regarding the effects and dimensions of the criminal responsibility of legal entities in Iran go beyond what the Islamic Penal Code of 2013 can address with only four articles. In contrast to the French legal system, the Islamic Penal Code considers the criminal responsibility of legal entities to be applicable to all possible crimes without any restrictions. Given that the commission of certain crimes, due to either their human nature or their human punishment, is not feasible by legal entities, it is necessary to restrict this general applicability[8.] Balancing cultural, legal, and practical considerations, the ongoing journey toward aligning with global standards highlights the complexities inherent in adapting legal systems to accommodate corporate accountability in the Iranian context. This research discusses the difficulties in recognizing corporate criminal culpability by looking at the issues from the perspectives of both international and Iranian law.

1. Lack of Legal Entity's Will

The primary objection to holding legal entities criminally liable revolves around the argument that they lack independent will and therefore cannot be attributed with criminal intent. Opponents claim that legal entities, being comprised of mem-

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6 M. SHARIFI (2017). Criminal Liability of Corporations under Specific Situations (Before Registration, during Settlement and after Merger). *Journal of Criminal Law Research* 6 (20), 161.

7 M. MORADI – A. SADEGHI – E. HADITABAR (2021). Comparative study of criminal liability of legal entities in Iran and the Council of Europe. *Journal of Comparative Law* 5 (1), 162.

8 H. TAGHIZADE – A. CHEKANDI NEJAD – S. H. HASNEMI (2022). Conditions and scope of criminal liability of public law entities in the legal systems of Iran and France. *The Journal of Modern Research on Administrative Law* 5 (17), 205.

bers and managers, do not possess the capacity to commit a crime as the commission of a crime necessitates the presence of mental elements such as criminal intent or negligence[9]. Simply engaging in a criminal act does not serve as evidence of the realization of the mental element. Independent and voluntary intent is required to establish the mental element, which legal entities, lacking independent will, are unable to possess. Consequently, the attribution of criminal responsibility to legal entities is deemed untenable. Moreover, opponents assert that legal entity criminal liability undermines the progress made in criminal law over the past centuries. They question whether legal entities can genuinely be held accountable and condemned for their actions. When a reprehensible act is ascribed to a legal entity, the individuals who comprise that entity should rightfully be the subject of criticism. So, if legal entities are not morally blameworthy for their actions, it becomes questionable how they can be held accountable for imputed crimes. Critics of legal entity criminal liability argue that the notion of independent will in legal entities is theoretical and hypothetical. They maintain that regardless of whether legal entities are real or fictional, they cannot possess independent intent and will separate from that of their individuals. This criticism can be broken down into several key points:

A) Regarding the absence of independent motivation and inclinations within legal entities, it is important to note that the accumulation of individuals' tendencies and interactions invariably leads to the emergence of common inclinations and tendencies[10]. Even if none of the members fully align with these inclinations, the collective as a whole develops an inclination towards them. At times, collective inclinations instigate new motives in individual members. In such cases, individuals align their motives and inclinations with collective tendencies and interests. For instance, the actions of a company's CEO undoubtedly reflect the goals and desires of the board of directors, middle managers, and experts, effectively representing and guiding the collective inclinations. Although the CEO's personal motives may influence this dynamic, it is certain that they cannot act upon their personal inclinations without considering the company's structure and the desires of other members. Therefore, these decisions cannot be solely attributed to the CEO's personal inclinations but can be attributed to the company itself. The CEO does not act merely as an individual; their behavior takes shape within the context of their relationships with others, ultimately becoming an inherent attribute of the company. The presence of motivation and inclination within legal entities also entails the presence of will[11]. Various factors influence a manager's decision-making process, and it is evident that a change in these factors can lead to a change in the decisions made based on them. In other words, although a company's CEO may possess personal will to act or refrain from acting, they make decisions within the frame-

9 D. R. CRESSEY (2017). The poverty of theory in corporate crime research. In: *Advances in criminological theory.* Routledge, 43.

10 R. E. BARKOW (2005). Separation of powers and the criminal law. *Stan. L. Rev*. 58, 989.

11 R. A. WASSERSTROM (2017). Strict liability in the criminal law. In: *The Structure and Limits of Criminal Law.* 401.

work of organizational duties, authorities, policies, and company strategies. Regardless of whether the manager wholeheartedly agrees with the organizational structure, policies, and strategies, or complies with them out of duty and responsibility, it is possible that the influencing factors have such a significant impact on decision-making that if other individuals were in their position, they would inevitably arrive at the same decision as the best course of action. However, it is crucial to acknowledge that rejecting the existence of will in legal entities would have adverse effects on the system of contracts and commercial and civil relationships. One of the essential requirements for a transaction to be valid is the intention of the parties involved. If the managers of a company initiate the signing of a contract, their will can undoubtedly be attributed to the legal entity. Otherwise, the contract would not create any rights or obligations for the legal entity. Thus far, there has been no dispute regarding whether the managers' will to enter into a contract should be regarded as the will of the company. On the other hand, it is possible for a company's CEO to oppose the conclusion of a particular contract. However, due to a majority vote from the board of directors or even under compulsion, they proceed with its signing. In such a scenario, instead of considering the CEO's consent, the consent of the legal entity should be considered, as defined within its specific structure. This implies that if the majority of the board of directors approves the contract and the articles of association, organizational chart, and defined responsibilities obligate the CEO to sign it, the consent of the legal entity is deemed to have been granted to that contract. The realization and attribution of consent differ between legal entities and natural persons are dependent on their specific definitions and rules. Therefore, when examining criminal actions or inactions, it is crucial not to overlook the entire organizational structure, job descriptions, policies, and strategies, and to attribute the actions solely to the manager or representative of the legal entity.

B) It is inaccurate to assert that ethical judgement regarding legal entities is impossible and that critiquing or praising their behavior is unrelated to their members. While there may be legitimate questions surrounding the validity of such judgments, it is important to recognize that most individuals who assess the behavior of legal entities from an external standpoint often criticize or admire the conduct and performance of the institution as a whole, not just the manager or representative. In many cases, these observers may be unfamiliar with the individuals within the organization, unaware of the names and identities of the managers, and even a change in managers or representatives may not alter their opinions[12]. The underlying assumption is stability and unity in the personality of the legal entity, deserving of either praise or criticism. Just as individuals can modify their behavior through new training or associations with new acquaintances, a legal entity can also change its behavior through the inclusion of new managers. However, this does not negate the possibility of ethical judgment regarding the company's methods and practices. Moreover, if the intention is to admire and commend correct behavior and the success of the company, it is evident that all factors within the company that contrib-

[12] M. CLINARD – P. YEAGER (2011). *Corporate crime.* Vol. 1. Transaction Publishers, 75.

ute to policy-making, strategic decisions, appropriate structure, and effective implementation are involved in validating such behavior and the company's achievements. Therefore, it becomes apparent that ethical responsibility can be attributed to legal entities, and it is more appropriate to focus on this type of responsibility rather than solely praising or criticizing the manager or representative. If managers are subject to critique or praise and bear ethical responsibility for their behavior, it should be parallel to the ethical responsibility of the legal entity as a whole.

C) The absence of a moral element in the crimes of legal entities, as previously discussed, is based on the premise of their lack of motivation, will, and ethical responsibility. However, it is essential to recognize that legal entities can indeed possess motivation, will, and ethical responsibility, thereby enabling the realization of malice and the moral element of a crime. This implies that the malice exhibited by a CEO of a company arises from a combination of factors within the company, and therefore, malice can be attributed to the company while still acknowledging the malice of the individual manager[13]. Importantly, acknowledging the presence of will and ethical responsibility in legal entities does not deny the existence of will and responsibility in individuals, managers, and employees. None of the proponents of legal entity criminal liability have made such a claim[14]. Thus, the primary objection raised against accepting criminal responsibility for legal entities, which is also the main objection from opponents, does not hold when considering the possibility of will and ethical responsibility within legal entities.

2. Individualization of punishments principle

The principle of personal liability for crimes states that only the individual who commits a criminal act should be held accountable and receive punishment for their actions. It is inconsistent with legal and justice principles to punish others for a crime committed by someone else. The principle of personal liability for punishments is a significant element of the classical school of thought, which marked a significant shift in the history of European criminal law. Prior to this, it was possible for other individuals, including family members of the offender, to be subjected to punishment[15].

Imposing a financial penalty on a company actually diminishes its assets and increases its costs, resulting in reduced profits and potential harm to the company's owners and shareholders, rather than the managers. Typically, these managers have control over the company's behavior and potential errors, making it reasonable for them to bear a greater share of fines and financial enforcement measures. However, this is only feasible if the culpable managers also hold all the company's shares, which is rarely the case. In most instances, the majority of shares are owned by

[13] R. PATERNOSTER – S. SIMPSON (2017). A rational choice theory of corporate crime. In: *Routine activity and rational choice.* Routledge, 31.

[14] P. A. FRENCH (2022). The Corporation as Moral Person. In: *Group Rights.* Routledge, 73.

[15] J. SALEHI (2020). Criticism of the Victim's Protection Order in European Criminal Law. *Journal of Criminal Law Research* 9 (32), 21.

shareholders outside of management who often have limited or no control over the company's actions and are unable to oversee managers and representatives to prevent the commission of crimes. It is even possible for individuals, unaware of the company's events and performance, to acquire company shares after the occurrence of a crime but before the company's conviction. It would be unfair to impose punishment on such individuals. Therefore, shareholders shoulder the burden of financial penalties, and in some cases, the company's wrongdoing may tarnish their reputation. Punishing a company not only impacts shareholders but can also affect innocent individuals who played no role in the commission of the crime. Consumers who rely on the goods or services provided by the legal entity may suffer consequences, such as price increases or disruptions in the supply of goods and services, which harm consumers. Hence, accepting criminal liability for legal entities may be deemed unacceptable due to its contradiction with the principle of personal liability for punishments. In examining and criticizing these issues, several points can be raised:

First, the personal nature of punishments is relative, and it applies to individuals as well. If punishments on legal entities are considered contradictory to this principle, the same argument can be made for punishments on individuals. Unless punishments on individuals also affect other family members, such as spouses and children. Generally, criminal law rules are not responsible for the indirect consequences of punishments, even in relation to individuals[16]. Therefore, the harm inflicted on shareholders, workers, and consumers is indirect and attributed to the legal entity.

Second, the harm caused to shareholders and partners is a result of the reduction in profits derived from the criminal acts. The indirect harm to shareholders is proportional to their indirect share of the profit from these criminal acts. Unless most members and shareholders benefit from the profits of the committed crime, it would not be fair to limit the punishment to the managers alone.

Third, the harm inflicted on shareholders and partners is limited to the capital they have allocated to the operations of the company and does not extend to their other assets. Shareholders accept both the profits and the risks associated with the company's activities when they invest in the company[17].

Fourth, if the criterion for unfairness of penalties for legal entities is the occurrence of effects on shareholders and others who had no role in the offense, then the same should apply to civil liability of legal entities, which has been widely accepted. Managers' decisions or errors can result in harm to third parties, which is compensated for by the company. This is despite the fact that shareholders may not have participated in or been aware of the error. The occurrence of effects on the assets and capital provided by partners for the company's benefit is generally considered unfair, whether it is a matter of civil liability or criminal misconduct by managers.

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[16] S. REZVANI – A. MAHDAVIPOOR – E. KHORRAMI ERAGHI (2020). Comprative Study of suspicion (eliminated the penalty) and its functional implications in criminal jurisprudence. *Journal of Criminal Law Research* 9 (32), 89.

[17] K. GREENFIELD (2005). New principles for corporate law. *Hastings Bus. LJ* 1, 87.

Fifth, while financial penalties are the most common form of punishment for legal entities, other types of penalties can be applied that have less direct consequences for others. For example, "remedying the criminal situation" can restrict management power and require specific behaviors within the organization without causing harm to shareholders and consumers.

From these arguments, it can be understood that criminal liability for legal entities is not contradictory to the principle of personal nature of punishments.

3. The failure of the penalties to accomplish their objectives

Generally, the implementation of punishments on criminals pursues three objectives:

- Ethical objective: Providing justice and deserving punishment based on the criminal act.
- Preventive objective: Deterrence and deterring both the criminal and others from committing crimes.
- Reformative objective: Rehabilitating the criminal and improving their condition[18].

According to opponents of imposing punishments on legal entities, it is argued that none of these objectives can be achieved. This is because these legal entities are essentially composed of individuals who commit crimes, and imposing punishment on the legal entity itself has no impact on deterring or reforming the managers or employees who are the actual culprits. They remain immune from facing punishment by hiding behind the legal entity. Even if it is claimed that fining legal entities compels managers and representatives to be more cautious in their behavior and supervise their employees more effectively, it must be acknowledged that if this punishment were directly imposed on the guilty individuals, it would have a direct and greater effect in condemning their behavior and deterring them from repeating it.

However, the lack of achieving the ethical objective or the execution of justice is since punishments imposed on legal entities are usually in the form of financial penalties, which do not convey the intensity of societal reaction or condemn the crime. Moreover, it not only fails to deter but also creates the impression that certain crimes can be committed by simply paying a fine.

The achievement of the preventive objective is also not possible because punishing the legal entity does not intimidate the actual culprits, the managers or representatives of the company. It does not serve as a lesson to other legal entities' managers witnessing the deterrent scene, which would compel them to refrain from committing crimes. If punishment is solely imposed on the legal entity, the maximum impact would be the managers feeling somewhat ashamed in front of shareholders. However, even this shame may not arise, as they might justify it as an inevitable measure to achieve greater profit. Therefore, this punishment is not effective in deterring managers from criminal behavior.

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[18] M. HAJIDEHABADI – E. SALIMI (2020). Fundamentals, principle and practice of purposeful penalization model. *Journal of Criminal Law Research* 8 (29), 117.

The failure to achieve the reformative objective because financial punishments do not guarantee the reform and improvement of the organizational methods, structure, and policies of the legal entity. Managers may consider financial penalties as mere expenses in their business activities, alongside other operational costs. These costs are ultimately imposed on shareholders or even employees and consumers without leading to any reform. However, in critiquing these shortcomings and providing responses to them, it should be noted that:

Firstly, accepting criminal responsibility for legal entities does not mean that the culpable manager or representative is not accountable. Criminal responsibility for natural persons and legal entities are not mutually exclusive. Their responsibility remains intact. Therefore, the main focus on the effects of not punishing the guilty manager or representative is fundamentally incorrect[19].

Secondly, regarding the failure to achieve the ethical objective, it should be noted that punishing legal entities achieves this objective much better than solely punishing the manager or representative. If only the manager is punished, shareholders who have benefited from the crimes committed or shareholders who have established the company's policy of engaging in criminal or negligent behavior would not receive any punishment or retribution for their decisions. Even if the manager, due to the impact of the imposed punishment, no longer complies with their decisions or pursues their interests, they can remove the manager and select another, thereby safeguarding themselves from any reciprocal harm or punishment and not achieving the ethical objective. On the other hand, if both the culpable manager and the legal entity are punished, all possibilities are employed to achieve the ethical objective.

Thirdly, regarding the failure to achieve the goal of reforming a criminal, the situation is as follows. It is possible that by punishing a manager, we can help in their correction and rehabilitation. However, this does not necessarily lead to the reform of the organization. In most cases, the manager is not the sole cause of criminal behavior; rather, it is the organizational factors, inclinations, and other influential factors that contribute to such a situation. For example, policies and guidelines set by shareholders, the financial situation of the institution, the perspectives of middle managers and experts within the organization, and various other factors create the conditions for criminal behavior. Therefore, even if the manager initially was a law-abiding individual, they may have been driven to make criminal decisions and actions under the circumstances imposed by the legal entity. In such cases, punishing and reforming the manager alone does not solve the problem, and achieving the reformative goal through the punishment of the manager alone is almost impossible[20]. Thus, the best approach to achieving the goal of reforming the criminal is to simultaneously apply punishment to the manager and the legal entity. This way, in addition to reforming the manager, the legal structure can be forced to

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[19] G. VERMEULEN – W. DE BONDT – C. RYCKMAN (2012). *Liability of legal persons for offences in the EU.* Vol. 44. Maklu, 65.

[20] J. M. KARPOFF – D. S. LEE – G. S. MARTIN (2008). The consequences to managers for financial misrepresentation. *Journal of Financial Economics* 88 (2), 199.

reflect on its actions, revise its policies, and change its mindset. It would also protect the organization's reputation and status by experiencing the consequences of the punishment.

Fourthly, in terms of the failure to achieve the prevention goal, imposing penalties on legal entities, if measured and proportional to their circumstances, can effectively deter them and others from committing further crimes and enduring subsequent punishments. However, if the punishment is solely imposed on the manager or the representative of the legal entity, although it may intimidate the manager or other managers, it does not fully contribute to preventing legal entities from committing crimes. This is because if shareholders, policymakers, or company experts have created an environment conducive to committing crimes, they will not be intimidated by the punishment imposed on the manager. They may even encourage the manager to commit crimes again or replace them with someone who accepts their policies. They may also encourage shareholders of other companies to sacrifice managers for the interests of shareholders. However, if both the legal entity and the manager are subjected to punishment, it provides the possibility of achieving the maximum benefits in terms of prevention.

It is worth mentioning that nowadays, with the development of regulations in some countries, new penalties and methods have been established for legal entities, which can make them more effective. For example, the court can issue a "conditional sentence for improving the offender's situation" or a "preventive measure order" or a "reformation of the internal punishment system" or an "internal punishment order" by suspending the punishment for the legal entity. These methods reduce the limitations of financial penalties in achieving the goals of punishment and have advantages specific to the punishment of legal entities that cannot be applied in the same way for individuals.

4. The impossibility of applying many kinds of punishments to legal entities

Many of the prescribed penalties in criminal laws are not applicable to legal entities. For example, the death penalty cannot be executed on legal entities[21]. Similarly, deprivation of liberty, imprisonment, or exile cannot be imposed on legal entities[22]. Other punishments such as flogging and bodily harm are also not applicable to them. Therefore, considering legal entities as criminally liable does not lead to their conviction and punishment in many cases. In criticizing this issue, it should be mentioned that although the implementation of punishments that only affect the human body is not feasible for legal entities, there are other similar punishments that can be applied to them but not to natural persons. For example, dissolution or temporary suspension and limiting the scope of authority and activities can be im-

[21] M. K. RAMIREZ (2005). The science fiction of corporate criminal liability: Containing the machine through the corporate death penalty. *Ariz. L. Rev*. 47, 933.

[22] H. HAFRIDA – R. KUSNIATI – Y. MONITA (2022). Imprisonment as a Criminal Sanction against Corporations in Forestry Crimes: How Is It Possible? *Hasanuddin Law Review* 8 (2), 167.

posed. Meanwhile, financial penalties and confiscation of assets are applicable to both natural and legal persons in most cases, leaving no obstacle to the imposition of penalties on legal entities. In summary, the mentioned limitations cannot be considered as a barrier to accepting criminal responsibility for legal entities.

5. Criminal accountability for corporations in Iranian legal framework

The provision of penalties for legal entities is one of the most prominent achievements of the Islamic Penal Code of 2013. After the Cybercrime Law, this law is the second one that has addressed the prediction of penalties for legal entities. From the wording of Article 20 of the Islamic Penal Code, it can be inferred that a legal entity is only subject to punishment if a natural person is also punished for the crime[23]. This does not seem logically sound because it is possible for a natural person to lack responsibility in certain aspects, but there is no reason for a legal entity to remain immune from prosecution and punishment[24]. It appears that the legislator takes the predominant scenario into account, as the prosecution of legal entities usually occurs in a situation where the representative of the legal entity who has committed the crime is being prosecuted, and the legal entity is also pursued as a result. A legal entity has an independent personality, so the commission of a crime by its representative does not constitute multiple offenses but falls under the categories of related crimes. For example, a legal entity may be subject to titles such as complicity and collusion. According to the explicit wording of Article 20 of the new law, imposing penalties on legal entities does not prevent the punishment of natural persons. However, in terms of criminal enforcement, it is easy to determine that certain prescribed penalties for natural persons such as execution, imprisonment, and flogging are not enforceable against legal entities. Only monetary penalties, such as fines and confiscation of assets, are applicable to legal entities because they are legally considered as owners[25]. In addition, the penalties of isolation and dissolution of an institution can be considered as alternatives to the death penalty for natural persons. Currently, crimes such as fraud, embezzlement, violations of regulations, monopolistic practices, issuing non-payable checks, and others are often committed by natural persons on behalf of legal entities. It is logical and fair that if the representatives of the company are at fault, the legal entity itself, which has acted in the name and representation of those individuals, should be considered under the protection of the natural person's personality, with the permission of the law.

Regarding the pecuniary penalties, Article 21 of the Islamic Penal Code enacted in 2013, which is derived from Article 38–131 of the French Penal Code, states that

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[23] S. I. GHODSI – M. S. FARAJPOOR (2017). A note on criminal liability of legal entities in Iranian law. *Researchers World* 8 (3), 45.

[24] M. SHARIFI (2019). Contemplation on Criminal Liability Models of Legal Persons. *Journal of Legal Studies* 11 (1), 112.

[25] S. D. MOUSAVIMOJAB – A. RAFIEZADE (2023). Sanctions on Legal Entities for Offenses in Islamic Penal Code Act 2012. *The Quarterly Journal of Judicial Law Views* 20 (69), 189.

the maximum pecuniary penalty applicable to legal entities is equivalent to five times the amount provided for natural persons under the repressive law. Pecuniary penalties are usually imposed in financial crimes and, in some cases, are determined proportionally[26]. For example, it may be set at twice the amount of the illegally obtained funds. As for the dissolution of a legal entity, the legislator of the Islamic Penal Code of 2013 has provided for it in two situations. One situation is when a legal entity is formed for the purpose of committing a crime. However, the practical realization of this situation cannot be easily assumed because legal entities have articles of association and moral principles that need to be registered with specific authorities such as the Companies Registration Office, and these authorities scrutinize the articles of association during the registration process. If an illegitimate purpose is anticipated, they refrain from registering it. Even state-owned and public legal entities, although they do not require registration and acquire legal personality as soon as they are established, do not have the possibility of being formed for an illegitimate purpose.

Conclusion

In conclusion, even though many nations have worked hard to create criminal responsibility for legal companies, a number of challenges continue to impede the smooth development of these laws. The complexity of this project is reflected in the range of issues it involves, from well ingrained legal traditions to the lack of explicit law. The pursuit of complete and globally recognized corporate criminal liability legislation is a continuous process, as evidenced by the ambiguities and problems that still exist despite the significant progress made by several countries. For future legal reforms to effectively negotiate and overcome the myriad hurdles presented by the convergence of legal, cultural, and practical factors on a global scale, it is imperative that these impediments be acknowledged.

Despite the modern societies, law of Iran has not fully embraced this concept. The Law enacted in 2013 was a significant step towards determining the criminal responsibility of legal persons and addressed many concerns. It establishes the principle of "determining authorized and prohibited actions," meaning that if an action carried out by a legal person falls within the list of authorized or prohibited actions, and that action constitutes a crime, the legal person can be held criminally liable. However, there are still numerous cases where the provisions of this Law may not fully cover and allocate appropriate and proportional responsibility for the committed offense. For example, the lack of clear distinction between the criminal liability of natural persons and legal persons remains an issue that is not fully enforceable in some cases. Therefore, at present, the non-acceptance of criminal liability for legal persons in Iran is due to the incomplete incorporation of this concept and the failure to address all possible aspects and scenarios in the laws and regula-

[26] S. SOLTANI – A. RAMAZANI (2016). Criminal Liability and Crime and Punishment Proportionality in the Crime of Legal Entities. *J. Pol. & L.* 9, 61.

tions. Further study, analysis, legislative amendments, and greater transparency are needed to improve and refine this area. It is recommended to continue efforts to enhance and refine the legal framework surrounding the criminal liability of legal persons. This could involve conducting comprehensive research, consulting with legal experts, and studying the experiences of other jurisdictions that have successfully implemented such systems. It is important to address any gaps or ambiguities in the existing laws, ensuring that they provide clear guidelines for determining the criminal responsibility of legal persons. Additionally, promoting awareness and understanding of this concept among legal professionals, judges, and the general public can contribute to its effective implementation. By taking these steps, law of Iran can work towards establishing a robust and equitable system of criminal liability for legal persons.

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