

INVESTMENT ATTRACTIONS



UNDER THE EXPORT PROCESSING ZONES AUTHORITY
(EPZA)

info@lysonlaw.co.tz | +255742850702



INVESTMENT ATTRACTIONS

UNDER THE EXPORT PROCESSING ZONES AUTHORITY (EPZA)

The legal framework governing the Authority has two principal legislations and two regulations respectively.

These laws are:-

1. The Export Processing Zones Act, 2021
2. The Special Economic Zones Act, 2021
3. The Export Processing Zones (General) Regulations) G.N No 6 of 2003
4. The Special Economic Zones Regulations, GN No 359 of 2012

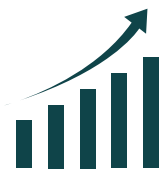




INTRODUCTION

Export Processing Zones Authority (EPZA) is an Autonomous Government Agency established under the Act of the parliament . EPZA is governed by a Board of Directors and operate under the Ministry of Investment Industry and Trade. EPZA is responsible for steering and implementing the Government policy on promotion of Special Economic Zones (SEZs) in Tanzania.

EPZA Board of Directors is composed of, the minister responsible for industry (Chairman), the Attorney General, Permanent Secretary of the Ministry responsible for finance, Permanent Secretary of the Ministry responsible for Local Government Authorities, Permanent Secretary of the Ministry responsible for Water, Permanent Secretary of the Ministry responsible for Energy and Minerals, Executive Secretary of the Planning Commission, Commissioner General for the Tanzania Revenue Authority, Chairman of the Tanzania Private Sector Foundation, the President of the Chamber of Commerce, Industry and Agriculture and the Director General of EPZA (Secretary of the Board).



FUNCTIONS OF EXPORT PROCESSING ZONES AUTHORITY

- i. Development of Economic Processing Zone (EPZ) and Special Economic Zones (SEZ) infrastructure.
- ii. Provision of business services to EPZ and SEZ investors
- iii. Issuing of EPZ and SEZ licenses
- iv. One stop service center for all prospective and existing investors.



TYPES OF LICENSES ISSUED BY EPZA FOR INVESTMENTS

Issuance of licenses is governed by two legislations. The Export Processing Zones Act and the Special Economic Zones Act together with its regulations. The Export Processing Zones Authority (Authority) is the body mandated by the above laws to issue licences under the Special Economic Zones which include the industrial parks, export processing zones, free trade zones, free ports, tourist parks and science and technology park as provided for under section 7 of the Act, These licenses issued by the Authority are synonymous with the business licenses issued by the local Government Authorities and other Regulatory Authorities. Once an investor obtains the EPZ or SEZ license he does not require any other license except for highly regulated industries like Food and Drugs.

This discussion is mainly centered on licenses issued under the Export Processing Zones Act.

1. Developer's license: This licence is issued mainly for designing, finance, construction, and insurance, owning and leasing of infrastructures for export Processing Zones operations. Once this license has been issued, the investor is required to commence implementation of the project within six months from the date of issuance. Architectural drawings of the proposed development are a necessary document to be submitted for application of this license.

Procedures to be followed

- a. The applicant is required to obtain a prior approval of architectural plans, drawings, and descriptions relating to the development of the infrastructure.
- b. The applicant is required to lodge the application to the Director General for declaration of such land as an Export Processing Zones.



- c. The Director General is required to submit the application to the Board within 14 days of receipt of the application together with his opinion.
- d. The Board is required to consider the application within sixty days from the date of submission of the application.
- e. The decision of the Board has to be delivered to the applicant within 14 days of the decision by the Director General.
- f. Upon approval of the application by the Board, the Minister of Industries is required by notice published in the government Gazette declare the area to be the Export Processing Zone.

2. Operator's license: A developer's license does not give a person the right to start operations of the business. The Developer who intends to use the infrastructures for operation is required to apply for operator's license under Regulation 10(5) EPZ (General Regulations), 2003
Operation of any business by the investor must be preceded with the operator's license. The license may be issued in the infrastructures developed by the Export Processing Zones Authority (Authority) or in a stand-alone zone developed by persons other than the Authority. This license is issued for 3 years subject to renewal annually.





ELIGIBILITY CRITERIA FOR OPERATOR'S LICENCE

1. License is issued to new investment
2. At least 80% of goods produced/processed must be exported.
3. Minimum annual export turnover must be of USD 500,000 for foreign investors and USD 100,000 for local investors.
4. You need also to tell the government on the benefits the investment will bring in terms of employment, technical skills, and government revenue in foreign currencies and international market competition.



PROCEDURES FOR OBTAINING OF A LICENSE FROM EPZA

1. The investor is to make an inquiry at the EPZA to confirm investment procedure, eligibility criteria as well as the availability of factory space or serviced land.
2. An investor is required to submit a detailed export business plan to EPZA for scrutiny. This has to show capital investment, products, market, number of employees expected both skilled and unskilled (local and foreigners), technology transfer or trainings which will be provided indigenous people.
3. Upon submission of the detailed export business plan, if the investor meets the criteria, then s/he shall submit the application to EPZA facilitation office.
4. The facilitation office will then submit the application to the Board of Directors. This process can take one month depending on the time when the Board of Directors meet.
5. The Board of Directors upon considering the application, it will forward it to the Ministry Responsible for declaration of the Export Processing Zone in a government Gazette by the Attorney General. This step takes four weeks.



DOCUMENTS TO BE ATTACHED IN THE APPLICATION FOR DEVELOPERS AND OPERATORS

The application is made through a prescribed form No. TZ/EPZ/01 and TZ/EPZ/02 respectively with the following attachments.

1. Copy of MEMARTS
2. Copy of the certificate of incorporation of a company
3. Detailed Export Business Plan by products, Markets and others
4. Environmental Impact Assessment Certificate obtained from National Environmental Management Council (NEMC).
5. Copy of receipt of initial fees (Application fees non -refundable).
6. Copy of Receipt of site inspection
7. Copy of lease agreement/ title deed
8. Architectural drawings/ design of proposed industrial facility and work plan for provider's license.
9. Introductory bank letter or current company's bank statement.
10. Submission of a brief application letter.





INVESTMENT INCENTIVES

Investment incentives are classified into three categories namely incentives for development of infrastructures, incentives for the investors producing for sale into the Customs Territory and incentives for investors producing for Export Market.

This article has discussed only two categories of incentives which are:-

1. Incentives for development of infrastructures.

A developer of infrastructures is entitled to the following incentives:-

- a. Exemption from payment of taxes and duties for machinery, equipment, heavy duty vehicles, building and construction materials and any other goods of capital nature to be used for purposes of development of the special economic zone infrastructure.
- b. Exemption from payment of corporate tax for an initial period of ten years and thereafter a corporate tax shall be charged at the rate specified in the Income Tax Act.
- c. Exemption from payment of withholding tax on rent, dividends and interest for the first ten years.
- d. Exemption from payment of property tax for the first ten years.
- e. Remission of customs duty, value added tax and any other tax payable in respect of importation of one administrative vehicle, ambulance, firefighting equipment and fire fighting vehicles and up to two buses for employees' transportation to and from the special economic zone.
- f. Exemption from payment of stamp duty on any instrument executed in or outside the special economic zone relating to transfer, lease or hypothecation of any movable or immovable properties in or situated within the special economic zone or any activity, action, operation, project, undertaking or venture in the special economic zone.
- g. Entitlement to an initial automatic immigrant quota of up to five persons during the startup,



- h. Exemption from payment of value added tax on utility charges.
- i. Exemption from pre-shipment or destination inspection requirements.
- j. On site customs inspection of goods within special economic zones.
- k. Treatment of goods destined into special economic zones as transit as transit cargo.

2. Incentives for investors producing for Export Market

These incentives are given to investors for exportation of goods. The incentives are stated in both principal legislations under part V of the Export Processing Zones Act and part VI (C) of the Special Economic Zones Act . To enjoy these incentives, compliance to applicable conditions and procedures, accessing the Export credit guarantee scheme is a must.

Incentives granted to investors for export market are as follows,

- a. Remission of customs duty, value added tax and any other tax charged on raw materials and goods of capital nature related to the production in the export processing zones.
- b. Exemption from payment of withholding tax on rent, dividends and interest for the first ten years.
- c. Exemption from payment of corporate tax for an initial period of ten years and thereafter a corporate tax shall be charged at the rate specified in the Income Tax Act.
- d. Exemption from payment of all taxes and levies imposed by the local government authorities for products produced in the export processing zones for a term of ten years.
- e. Exemption from pre-shipment or destination inspection requirements.
- f. Onsite customs inspection of goods in the Export Processing Zones.
- g. Unconditional transferability through any authorized dealer bank in freely convertible currency.
- h. Access to competitive, modern and reliable services available within the Export Processing Zones.



- h. Access to competitive, modern and reliable services available within the Export Processing Zones.
- i. Provisions of business visa at the point of entry to key technical, management and training staff for a maximum of two months.
- j. Remission of customs duty, value added tax, and any other tax payable in respect of importation of one administrative vehicle, ambulances, firefighting equipment vehicles and up to two buses for employees' transport to and from the Export Processing Zones.
- k. Treatment of goods destined into Export Processing Zones as transit cargo.
- l. Exemption from value added tax on utility and wharfage charges.
- m. Entitlement to an initial automatic immigrant quota of up to five persons during the start-up period.



Material and Information contained on this article is for general information purposes only. You should not rely upon the material or information as a basis for making any business, legal or any other decision.

In the event that you would want an assistance either of the information provided in this article kindly send an inquiry direct to:-



+255 752 994 870



+255 742 850 702



info@lysonlaw.co.tz



www.lysonlaw.co.tz



Plot No. 1826/76, house no. 6,
Masaki, Bandari Road, Off-Kahama Road,
P.O Box 79395, Dar es Salaam, Tanzania.



LYSON LAW GROUP
Advocates & Legal Consultants
